

FINANCIAL TIMES

Start the week with...



Israel's election Peace effort has split the electorate

Media futures

An audience with TCI's John Malone



Sport: rugby

Life gets tough for the small boys

Taipei lets currency slide in attempt to increase exports

Taiwan's currency yesterday dropped below a six-year support level with the New Taiwan dollar closing at T\$27.641 to the US dollar against Saturday's T\$27.486 finish. Taiwan's Central Bank of China had previously defended the six-year barrier of T\$27.50. The fall signals a new willingness by the government to use foreign exchange policy to make exports more competitive. Page 22; Currencies,

Hyundai signals alliances with rivals: Hyundai Motor's new chairman Mong-Gyu Chung said South Korea's biggest carmaker needed to act less independently in order to strike alliances with other vehicle producers to develop new models. Page 23: Korea's German lesson, Page 22

s tops competitiveness league: The US and Singapore retained their lead as the world's most competitive countries while Germany and Switzerland, Europe's former stars, have been relegated to the second division, according to rankings compiled by the International Institute for Management Development, Page 5

Burma opposition's concern for activists:

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Burmese opposition leader Aung San Suu Kyi (left) said she was worried about the fate of more than 250 activists arrested last week and claimed at least two had been charged by the country's military regime. She spoke after the second day of a controversial meeting of her

National League for Democracy ended without incident. The army government had tried to scuttle the meeting by arresting 258 NLD politicians last week.

Mexicans prepare to contest new US law: Two Mexican companies with investments in Cuba are preparing their legal defence against new US legislation which will bar their senior executives and families from entering the US because of their links with Cuba. Page 6

Devische Telekom is to be given 49 per cent of voting shares in Kazakhtelecom, the Kazakh telecommunications monopoly, in a DM225m (\$536m) deal which allows the central Asian state to repay debts and ensure investment in the telephone net-work. Page 22; Kazakhs to tighten up on tax under IMF deal. Page 3

Optimism over German economy: Germany's business community is showing signs of cautious optimism for the first time in more than a year. The institute for economic research bases its optimism on a rise in export orders and hopes of a longawaited recovery in retailing. Page 2

Turmoil foliows Albanian elections: Albania was thrown into political turmoil as the ruling right-wing Democratic party claimed victory in Sunday's alection, while opposition parties called for protests against alleged electoral fraud. The opposition Socialist party said it would not recognise the result. Page 22

Ukraine's PM dismissed: Ukrainian president Leonid Kuchma sacked his prime minister Yevhen Marchuk, citing alow progress on economic reform.

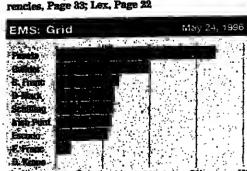
Tokyo shares edge down: In Tokyo the Nikkei 225 average of leading companies' ahares fell 98.67 points to 21,699.76 on profit taking and technical selling. Markets in in the US and most of Europe were closed for public holidays. World stocks, Page 35: 100 years of the Dow, Page 27

UK group seeks to raise \$60m on Aim: Zoloto Mining of the UK is to raise about \$60m (£40m) on the London Stock Exchange's Alternative Investment Market (Aim), to develop a gold mine in the Amur Region of far eastern Russia. Page 23

Honda boosts graduate recruitment: Japanese carmaker Honda plans to double its grad-nate intake this year, its first increase in four years and the latest indicator of the improved economic outlook for Japan's largest companies. Page 4

Cricket: England beat India by four wickets at Old Trafford, Manchester, to clincb a 2-0 victory in the Texaco Trophy series of one-day internationals.

European Monetary Systems There was no change to the order of currencies in the EMS grid last week. The spread between strongest and weak-est widened slightly. The narrow spread between the currencies is a function of the weak D-Mark and continued optimism about the Emu process. Cur-



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the curren cies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the quilder which move in a 2.25 per cent band.

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Rebel leader agrees to ceasefire President's re-election hopes boosted

Yeltsin hails signing of Chechnya peace deal

Russian president Boris Yeltsin yesterday hailed the signing of a "historic" peace deal which came after a Chechen resistance leader went to the Kremlin promising to halt 17 months of fighting in the separatist region.

We have resolved the key problem of peace in Chechnya." Mr Yeltsin said after signing the deal to end the fighting in the territory in south-east Russia, where more than 30,000 people have died.

The agreement is a significant boost to the presidential re-election campaign of Mr Yeltsin, whose popularity bas been undermined by the ongoing war,

In extraordinary scenes yester-day, Mr Zelimkhan Yandarbiyev, the Chechen leader, drove to the neighbouring region of Ingusbetia in a heavily-armed convoy and hoarded an aircraft for Moscow. Still dressed in battle fatigues, he went straight into a two-hour meeting with Mr Yelt-sin in the Kremlin. The agreement, which had already been substantially pre-pared by intermediaries, calls for a ceasefire from midnight on May 31 and an exchange of all prisoners within two weeks. Talks will continue to try to resolve the remaining political differences, in particular, the degree of autonomy granted to

Chechnya.

Mr Yandarbiyev, a fierce nationalist who assumed the leadership of the Chechen resistance movement after Mr Dzhokhar Dudayev was killed in a Russian rocket attack last month, had previously vowed to continue tha independence fight to the death. But Chechen leaders appear to

have realised they were in a good

position to extract concessions from Mr Yeltsin before next month's presidential elections. The Organisation for Security and Co-operation in Europe (OSCE), designed to resolve regional conflicts but fierceiv criticised by the Chechens for an alleged lack of impartiality, appears to have played a signifi-



The separatist Chechen leader Zelimkhan Yandarbiyev signs the peace deal in the Kremlin after two hours of talks with President Boris Yeltsin. Fighting in Chechnya will cease from midnight on May 31

of a comprehensive constitutional settlement of the conflict, which erupted in 1991 when Chechnya unilaterally declared its independence from the Russian Federation.

It was not clear last night whether all the Chechen resistance leaders would abide by tha agreement. Mr Yandarbiyev does net carry as much political weight within the resistance movement as his predecessor, from the Kremlin yesterday. That

cant role in brokering the deal. and several previous peace deals.

The agreement falls well short — albeit negotiated at a lower level - have collapsed.

Some extremist Chechen leaders, such as Mr Shami) Basayev, who led a bloody hostage-taking raid last year, have said they will settle for nothing less than full independence for the republic. General Pavel Grachev, Rus-

sia's defence minister, has criticised attempts to reach a peaceful solution to the Chechen conflict and was conspicuously absent has led to renewed speculation that be may be sacked and replaced by the highly-respected General Boris Gromov, who commanded the Russian withdrawal from Afghanistan,

Mr Yeltsin's efforts already seem to be reaping some rewards. Russla's Communiat party, wbose candidate, Mr Gennady Zyuganov, is Mr Yeltsin's leading rival for the presidency, welcomed the agreement as a "joyful event" but questioned why it had

Microchip advance promises 'electronics revolution'

Texas Instruments, the US elect-ronics group, will announce today that it has developed the technology to build a thumbnailsized computer chip with the processing power of 20 personal com-

The new semiconductor technology will enable engineers to build much more powerful and complex consumer electronics and other devices such as videophones and voice recognition systems. Early applications include telecommunications and wireless communications. Called "TImeline technology"

to advertise the company's initials, it is capable of building computer chips with electrical connections as thin as 0.18 microns wide - less than one two hundred thousandth of a centi-

It will he possible to pack 125m transistors on to a single silicon chip - more than double the number possible with current 0.25 micron processes. A width of 0.18 microns is the equivalent of one six-hundredth of the diameter of a human hair,
"This dramatic order of magni-

tude increase in transistor availability will create a new systems and applications domain which will revolutionise the electronics industry," said Mr Rich Temple-ton, senior vice-president of TI's semiconductor group.

"Today's most complex chips range from five to seven million translators. This dramatic increase in transistor count will create systems and applications imagine," Mr Templeton said.

TI recently announced plans to hulld a \$2bn semiconductor facility in Dallas which will manufacture the new chips from

The technology will allow TI to put computer microprocessors, memory and other special functions on to a single silicon chip, reducing the number of semiconductors required for consumer electronics by as much as 90 per

Most electronic systems today are built using many semi-

Continued on Page 22

Indian government set to be toppled today

India's first Hindu nationalist government is almost certain to e toppled today in a confidence motion, only 14 days after It assumed office following inconclusive national elections.

The fall of the Bharatiya Janata Party-led government of Mr Atal Behari Vajpayee is expected to be followed by the creation of another unstable government by the United Front, a banding of secular groups supported by the Congress party and two communist groups.

Mr Vajpayee moved a motion of confidence in his ministers yesterday, launching a heated seven-bour dehate which will conclude today.

No party succeeded in winning a majority in the elections last month, and the BJP has since

By Shifted Sichwa in New Della Hindu nationalists likely to lose confidence vote "Millions of Indians see the

been unable to gather enough support from other parties to ensure its survival. The BJP and its allies won 194

of 545 seats in the lower bouse. making it the single-largest party. Congress, the former ruling party, won only 136 seats, its worst result ever, and has decided not to attempt to lead a government.

That has left the way open for Mr H.D Deve Gowda, chosen by the United Front as its leader two weeks ago, to become the next prime minister. Mr Gowda's coalition won a total of 180 seats, still well short of a majority.

Congress leaders have now said they will support the United

they warned yesterday they reformer. "I will not describe would topple a United Front govmyself as an economic reformer. ernment if it reversed the eco-I am just a peasant," he said in a

nomic reforms started in 1991. The United Front, a conglomerate of nearly 12 regional and national parties, represents the interests of some of India's lowest castes. Its nucleus is the Janata Dal, which won only 43 seats in the election.

Some of the coalition's leaders have actively campaigned against Mr Rao'a economic bberalisation programme, and investors are worried about the future of reforms under a United Front

Mr Gowda said he bas welcomed foreign investment, be an enthusiastic economic

year term.

The BJP has attacked the United Front on the grounds that it is so fractious it will fall apart long before the end of its five-Front leaders who are deter-

mined to see the BJP government toppled today, said the Hindu nationalists had no right to form a government after securing only

recent interview.

BJP as a non-secular, exclusionary, illiberal party, and though no single party has the mandate from the people to form a govern-ment, the mandate is for a secular. liberal. democratic government," Mr P. Chidambaram, India's former Commerce minister, said yesterday.

Mr Vajpayee denied he sought to establish a theocratic state, but his opponents faar India's 120m Moslem minority would be under threat if the BJP continued in government.

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ism and the country's unity". But Legal dispute threatens \$2bn payment to BCCI creditors

By Jim Kelly in London

A legal dispute is threatening to disrupt the long-awaited payment of up to \$2bn to more tban 100,000 creditors of the failed Bank of Credit and Commerce International. The row is over the rules under

which the payment should be made to the creditors of the bank, which collapsed in 1991 with debts of \$10bn following the world's biggest bank fraud. The first payment to creditors, of 20 per cent of their losses, is

ther payments up to an overall total of between 30 end 40 per cent to follow. The principal liquidators, at accountants Deloitte & Touche, are trying to resolve the issue and are determined to pay the dividend on time. Earlier this month they received \$1.55hn from the Abu Dhabi government, the

The dispute is between the liquidators and Luxembourg authorities, one of the three juris-

bank's principal shareholder, as

the basis for the overall settle-

dictions where the bank was registered. It is also where settlement contributions are "pooled" before payments to creditors.

Under UK law, loans and deposits can be set off against each other and creditors left to claim the difference. Under Luxembourg law sucb off-setting is not allowed - loans abould be repaid before claims are made The Luxembourg rules, viewed as time-consuming and costly, also threaten creditors unable to pay.

The liquidators hope the Luxembourg authorities can be expected this summer, with furpressed to follow the UK practice which is known as "netting" and which they claim is tha international model. It is understood that talks have

started with the Luxembourg hquidators. Meanwhile, Deloitte & Touche

are likely to seek permission in the UK to set aside provisions to compensate creditors if Luxembourg law prevails - the sums involved would run into "several bundred million dollars" according to one insider. Such provisions would decrease tha size of the first dividend.

tive time for the liquidators. This week a Luxembourg court is due to rule on allegations that they overcharged BCCI creditors by 40 per cent during the first six months after the bank's collapse in 1991. The charge has been

The latest problem is one of a series, largely caused by the international nature of the liquidation, which has dogged the set-An original settlement, agreed

in 1992, was blocked by Luxembourg courts in 1993. The second settlement, agreed

by Luxembourg late last year, involves several contributions from third parties. Abu Dhabi's payment of \$1.55bn will be boosted by \$250m beld in an

The collapse of BCCI, which operated in 69 countries, has already prompted more than 2,000 legal actions.

Creditors could eventually be

paid more than 40 per cent of their losses if they benefit from court actions taken on their

CONTENTS

Arts Guide ... Fund Mingh/City Phopie _ 28

Smerging Markets Figurational Bonds ____ 31 FT/SSP-A Wid Indices ___ 30 Currencies & Money ____ 33

LONDON - LISTES - PARIS - FRANKFURT - STOCKHOLM - MADRID - NEW YORK - LOS AMGELES - TORYS - HOME KONG

By John Thornhill in Moscow

Russia will regain control of its economic destlny, stimulate growth of 9 per cent a year by the turn of the century, and provide social justice for all if the country votes communist in next month's presidential election, Mr Gennady Zyuganov, the Communist party can-didate, said yesterday.

He released the party's longawaited economic programme - From Destruction to Creation, Russia's Path into the 21st Century - which lays out a three-stage plan to revive the economy by 2010 and correct the "catastrophic results" of

the past four years. The highly interventionist programme would put Mr Zyuganov on a direct collision course with the international Monetary Fund, which recently hacked President Boris Yeltsin's economic reform programme with a

three-year \$10.2bn loan. Russia's infant capital mar-kets seem likely to treat Mr Zyuganov's economic programme with scepticism although some of the concrete details have not yet been worked out,

"The programme is both Utopian and vague and seems certain to spark inflation," said one commentator yesterday. Mr programme condemns

the current tough anti-inflationary policies, hacked hy the IMF, and the liberalisation of trade, hlaming them for devastating Russia's industrial base and exposing manufacturers prematurely to global competiadopted by the National-Patri-otic bloc which backs Mr Zyuganov in next month's presidential elections, suggests that the agreement with the IMF will have to be revised to allow Russia to regain its "economic

The programme's chief goals are to atimulate domestic industrial prinduction and ensure greater social justice. It also defends the concept of a "multi-layered economy" and does not envisage sweeping re-nationalisation of legally privatised companies.

To defend domestic manufacturers, the programme envisages ralsing import tariffs, creating state-directed invest-ment hanks, halting capital flight, and encouraging foreign investment in technological

In rhetoric harking back to Soviet Five Year Plans, the programme calls for a threestage development programme. The first stage, to be completed hy 1997, envisages the lowering of energy prices to stimulate greater industrial production.

The second phase, to he implemented between 1998 and 2003, promises to step up targeted investments in manufacturing sectors of the economy. The third, to be completed hy 2010, envisages the creation of "post-industrial technologies and Russia's entry into world

The programme's chief anthors appear to be economists active in the late Soviet era and flashes of old-style Communist thinking are evident in many sections.

Kuchma sacks prime minister in loyalty feud

By Matthew Kaminski in Klev

Ukrainlan President Leonid Kuchma yesterday sacked his prime minister, Mr Evben Marchuk, citing slow progress on economic reform and lax hudget discipline by the cabinet.

long political feud. Personal rancor between Ukraine's two most powerful political figures. wbose responsibilities are vague in the absence of a constitution, was never far beneath the surface.

The president did not name a replacement or indicate wbether a new cahinet would be named in the second largest former Soviet republic.

Mr Kuchma this month reprimanded the cabinet over public sector wage arrears totalling 177,000hn karhovanets (\$961m) which have enraged government workers, and prompted the teachers' union to schedule a strike for today.

in newspaper interviews and public statements. Mr Kuchma and his close aides have long questioned Mr Marcbuk's loyalty to the president. The prime minister, rather than run the government, "concen-trated his time on building an according to yesterday's state-ment from the presidential press service.

Fending within Ukraine's political class grew worse last week when Mr Marchuk bitterly criticised the president in Nyedely, a Kiev weekly. He then came out against Mr Kuchma's call for a referendum on the draft constitution, which the president has made bis top political priority.

Ukraine is the only former Soviet country which has not yet put a constitution in place. Mr Marchuk may try to rehuild his political fortunes from parllament, where he won a seat in December byelections. Some MPs have called on Mr Marchuk to run for speaker, hut analysts said he first needed to build a stron-

ger political base.

Possible candidates for prime minister include Mr Pavlo Lazarenko, first deputy prime minister, or Mr Volodymyr Horhulin, the national security adviser - both close to the president.

Mr Marcbuk was appointed last year after winning respect in Ukraine for his toughness in dealing with Russia.

German business shows signs of cautious optimism

By Judy Dempsey in Bonn

Germany's husiness community is showing signs of cantious optimism for the first time in more than a year based on a rise in export orders and hnpes of a long-awaited recovery in retailing, Ifo, the Munich-hased institute for economic research, says in a report today.

But the east German business community does not share this new mood, says the report. Whilesale and retail trade in the five eastern states remains depressed as consumers continue to save and unemplnyment con-

The report coincides with a can-

Gesamtmetall, the engineering asso-ciation, which said the worst of the crisis for the metals and electronics industry was past.

"We are on the right path, no questinn, but we have only made the first fcw steps," said Gesamt-metall's designated chief, Mr Werner

The statement said earnings had improved since a crisis in 1993 hnt were not yet satisfactory. The return nn equity last year was 11.5 per cent, against 17 per cent in 1989-90. Net prnfit ln west Germany was DM12.5bn (\$8.1hn) in 1995, compared with DM20bn in 1989.

Berisha's supporters celehrate victory ontside Democratic party headquarters at the weekend Rouse

Albanian elections send

tremor through Balkans

Ahlin had asked to see an

opposition memher of the

supervising commission, but

was told they had all left. Albania's Socialist party, the

reformed former communists,

have led the charges of manip-

ulation and barassment

against the Berisba govern-

ment, and decided on Sunday

Allegations of

Kevin Done

liament.

poll fraud have

plunged country

into turmoil, says

withdrawing their candidates

and memhers from the elec-

toral commissions and announ-

cing a boycott of the next par-

Mr Kastriot Islami, a Social-

ist MP and party spokesman,

claimed that many opposition

members of local election com-

missions had heen arrested

and some beaten. Some voters

had been intimidated by police.

Voter lists had been changed

and names added without

rejected the Socialist claims as

provocatious, and President

Berisha yesterday attacked the

opposition in a triumphal

address as "political gangsters"

bent on returning Albania to

He thanked western coun-

tries for their support, claim-

ing they had launched a Mar-

shall Plan to haul the country

out of chaos in 1990-91 and to

turn Albania - still Europe's

The Democratic party has

addresses or identification.

our years ago Mr not been touched, he said. Mr William Ryerson, then Ahlin had asked to see an

Albania, campalgned openly on

platforms alongside President Sali Berisha for an election vic-tory for Albania's fledgling

But serious concerns about

the development of democracy

under Mr Berisha meant the

US played a more restrained role, falling well short of

expressing support for any party, in the dramatic run-up

to last Sunday's general elec-

The election has plunged the

country into political turmoil

amid widespread allegations of

ballot rigging, electoral fraud

and intimidation and violence

take some time for the full pic-

ture to emerge, but the evi-

A group of eight European

politicians, sent by the parlia-

mentary assembly of the

Co-operation in Europe as elec-tion observers, were highly cir-

cumspect yesterday, but admit-

ted they observed "a number of

irregularities and technical

shortcomings" in the election.

One of the eight - Mr Urban

Ahlin, a Swedish MP - was

more forthright. "I saw one

man coming out of a polling

booth with seven or eight bal-

lot papers, which he pushed

into the hallot box. I went into

the booth and saw a woman

filling in ballot papers, as if

she was on a production line in

At another polling station

the seals on the ballot box had

been changed during the day,

hut local election commission

officials insisted the box had

a factory," he said.

Organisation of Security and

dence is starting to grow.

Democratic party.

PARTIE DINONGINE

poorest country - into the fast-

est growing economy in

Europe in the past three years.

He promised to advance rap-

ldly the integration of Alhania into western Europe and west-

Western support for Presi-

dent Berlsha has been

rewarded, with Albania provid-

ing a surprising island of sta-bility in the Balkans cauldron. It has played a constructive

role in containing the danger-

ous tensions in neighbouring

Kosovo, where around 2m

Albanians - 90 per cent of Kosovo's population - live in a vir-

tual police state under severe

threat to the peace process in

ern countries have successfully

encouraged Mr Berisha to play down support for outright

independence for Kosovo, the

President Berisha is now

likely to come under increas-

ing pressure from the west to

put his disorderly domestic

Macedonia and Greece, Alhania's strategic importance

in the Balkans is undimin-

ished. But with as many Alba-

nians living immediately out-

side the country's horders.

chiefly in Serbia and in Mac-

edonia, as within Alhania

itself, the potential for finding

the next Balkan tinderbox in

this part of the region is con-

The west needs a stable

Albania. But the weekend's

election and its aftermath are

sending new tremors through

the Balkans, and Mr Berisha, a

former cardiologist and doctor

to the communist elite, has yet

to show that he can provide

the care to help the country

over the deep scars left by the

hrutal regime of the Stalinist dictator, Enver Hoxha.

population.

slderable.

house into order.

Kosovo still poses a potent

repression from Belgrade.

ern defence structures.

ted to provide a psychological boost for industry, after last week's dis-couraging statement by the economics ministry, which said gross domestic product had contracted in the first quarter of this year for the second successive quarter.

It might also give Chancellor Helmut Kohl's governing Christian Democratic-led coalition a fillip in opinion polls after support for the government has waned against the background of plans to push through an tongh austerity package.

A weekend survey in the liberal Süddeutsche Zeitung sald support for the coalition fetl last month hy two percentage pnints in 41 per cent, while snpport fir the nppositinn Social Democrats rose three percent-age points to 34 per ceot.

Ifn, which bases its report on research conducted in April, believes the grounds for cautinus nptimism among the husiness community stem partly from the rise of the US dullar. The strong D-Mark and the weak US dollar were among the main reasons for lower profits, particularly in the machine-building and pharmacenti-cals industry last year.

Construction and retailing remain fragile, but Ifo says retailing is nn longer in the "hypothermia zone". In April, the German consumer had

started to hny mnre cinthes, shoes and hnme electronic equipment.

The findings will almost be certainly welcomed by Germany's Association of Retailers, which recently reported a 2 page cent fall in retail

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reported a 2 per cent fall in retail sales last year, with little prospect of growth this year.

As for the construction industry, any npturn which Ifn detects may allay fears of the sector remaining in

recession this year.

Last month. Ifn said the building industry was in its first recession since German reunification, would face jnh losses of 80,000-100,000 this year and would record a decline in

investment by 2-3 per cent.

Turkish Islamic party urges confidence vote Coalition partners fall out

By John Barham in Ankara

Turkey's Islamic fundamentalist party, Refah, yesterday demanded that parliament he reconvened this week to vote on a motion of no confidence in the country's troubled minority coalition government headed by Mr Mefsut Yilmaz.

Mr Yilmaz's own conservative coalition partner, Mrs Tansu Çiller, said Mr Yilmaz should either resign or [I] will support Refah's vote of censure". Mr Yilmaz himself seems to have lost his appetite for power. "Let anyone want-ing early polls bring this to parliament and we will support them." he said.

Refah and Mrs Ciller's True Path party, could easily muster the 276 votes needed to bring down the government, which only took office on March 12. It is now for the parliamentary authorities to decide whether to arrange the vote.

Turkey has been adrift since Mrs Ciller's coalition government collapsed in September. Elections in December produced a bung parliament in which Refah won 158 of the 550 seats to become the largest party in parliament.

The politically powerful army forced Mr Yilmaz and Mrs Ciller, rivals for control of the centre right, to form a minority government. As both had won roughly the same number of votes, they negoti-ated a agreement in which Mr Yilmaz would serve as prime minister this year and Mrs Ciller would take over in

The government was 15 seats short of a majority, hut has survived thanks to the tacit

Dublin

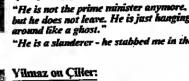
With its sensitive horders and uncomfortable neighbours in Serbia and Montenegro,

> Duhlin and Milan are expected to be Europe's fastest growing cities over the next decade as a result of their efforts to become more globally competitive, according to a report on European regional prospects from the ERECO consortium of economic researchers.

The consortium, which comprises research institutes from the UK, Germany, France, Italy, the Netherlands and Austria, predicted that Dublin and Milan would achieve average growth in gross value added of 4 per rent and 3.9 per cent, respectively, between 1994 and 2000, compared with a European Union average of 2.7 per

The report defines gross

Ciller on Yilmaz: "He does not know anything apart from fighting and conspiring



She is double faced." We never broke the coalition pro but Ciller did three times." "This is not serious. Ciller is panicking.

support of the moderate Democratic Left party (DSP) of Mr Far from producing a truce.

the agreement simply intensified two conservative parties' battle for hegemony over the centre right, Turkey's political beartland. But neither was willing to risk the army's ire hy bringing down the govern-

Mr Yilmaz said: "It is very hard to see any solution as long as hoth leaders are around and the centre-right is unable to unite."

Many political commentators warned from the outset that their marriage of convenience could not last, but few expected the divorce so soon.

Analysts now fear that the electorate, disillusloned by conventional politicians may turn to Refah, which aims to transform Turkey's 73-year secular state into a theocracy. Local elections next Sunday are expected to show increased support for the DSP and Refall. Refah has skilfully exploited

the fight to further its own amhitions. It won support from Mr Yilmaz's conservative Motherland party to set up parliamentary committees to investigate corruption allegations against Mrs Ciller that were first made by Mr Yilmaz himself. In retaliation, True Path ministers boycotted cabinet meetings.

The Islamists even won a constitutional court ruling that parliament's March 12 vote of confidence was invalid, undermining the government's legitimacy and giving Mrs Ciller the justification she needed to formally break her alliance with

Stung by Mr Yilmaz's accusations that she misappropri-ated \$6.5m from a prime ministerial discretionary fund, she announced at the weekend that sbe would no longer support the government. Yet ber ministers would remain in cabinet until being replaced by a new majority government. Like Mr Yilmaz she seemed unwilling to take the final step of bringing down the government.

and Milan demand of the local Albanian set pace for growth

value added as the difference

of the companies

EUROPEAN CITIES RANKED BY GROSS VALUE ADDED 1994-2000 Bottom 10 cities % per year 4.0 Stuttgart

Top 10 cities" % per year Dublin Mancheste Rotterdam Marseilles 1.7 Vienna 1.6 Düsseldor Excluding eastern Germany.

Source: ERECO

between the value of a city's more international market. outputs and the value of the inputs used to make them. The report says Duhlin and

Milan have recognised the "need to improve their 'offer' in the face of wider global competition". One of the report's authors. Mr Richard Lewney. of Cambridge Econometrics, says they are among many European cities that have recently sought to transform their declining industrial centres into internationally competitive providers of high-value

The report singles out Dublin's recently developed International Financial Services Centre as one example of the city's attempts to address a

Milan has undertaken several projects to redevelop former. industrial areas, including the new 680,000 sq m "tecnocity" at Bicocca in the north-east, due to be completed by 1998. Rome and Düsseldorf are

expected to show the slowest, growth of the 39 cities surveyed. The report says the Italian capital is "hamstrung" by a low level of technological innovation, a weak financial sector and severe public spending limits. European Regional Prospects.

Full report in two volumes Ecu2.000 (\$2,480) . Abridged edition Ecu100 from Cambridge Econometrics, Covent Garden, Cambridge, CB1 2HS, UK.

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Bonn drags heels on single market

By Neil Buckley in Brussels

Germany and Belgium, two of the firmest supporters of closer EU integration, are among countries that have made least progress in implementing the single market, ministers will hear today. Aides to Mr Mario Monti, sin-

gle market commissioner, said he would use the "strongest terms ever" in telling ministers there remained a wide gap hetween their declarations and actions to implement single market measures - some of which are a decade old and should have been in place three years ago. Mr Monti is accelerating

infringement procedures against countries failing to implement single market law. Infringement cases against member states in the European Court of Justice more than doubled between 1994 and 1995. The commissioner is also urging full use of a network of "contact points" on single market issues within member states' administrations, so other members know exactly whom to contact with prob-

lems or grievances. A drive to complete the sin-

gle market, possibly including a firm deadline, is expected to form part of a jobs creation package to be put by Mr Jacques Santer, European Commission president, to the Flor-

ence heads of government summit next month. Mr Monti will present figures showing that only 92.6 per cent of 221 measures in the 1985 Internal Market White Paper requiring implementation at national level have been transposed into national law. Of all 1,378 single market directives, including those in the white paper and some even older, only 89.7 per cent have been adopted nationally.

Best performers on the white paper are Denmark, with 99.5 per cent adoption, the Nether lands with 97.7 per cent, Swe den – despite joining the EU only last year – with 96.8 per cent, Luxembourg on 95.5 per rent, and the UK on 96 per cent. The slowest long-term members are Belgium and Germany, hoth on 90 per cent,

ahead only of new members Finland and Austria. Germany and Belgium have also recorded the highest number of infringements for nonconformity.

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Vereinsbank

Hamburg, May 1996

in Hamhurg.

By James Whittington in Cairo

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Carl Digra

To the hear

Egyptian Presideot Hosni Mubarak yesterday dismissed the campaigning in Israel's election as divorced from

the reality of the Middle East.
"During elections everyone says that they'll make things very easy and they cover the ground with car-pets, but afterwards the reality will bit them," Mr Mubarak said in an interview with the Financial Times.

He was particularly critical of a weekend debate between Mr Shimon Peres, Israeli orime minister, and opposition leader Mr Benjamin Netanyahu, who both pledged to make Jeru-salem the undivided and eternal capital of their country. "Jerusalem is an issue which is

negotiable and this has already been agreed upon. Unless the problem of

Jerusalem is solved in a convenient way to all parties there will always be hig problems...Both Peres and Netanyahu understand this," the Egyptian president said.

Predictably, he said he "didn't care" who was elected as Israel's next prime

"I never get nervous," be said.
"This is the fate of the people of Israel. I have good relations with Shimon Peres but I've never met Netanyahu and I don't know his true thinking... If he starts putting obstacles in the way of the peace process, then definitely there will be a big problem, but we'll have to wait and see."

Mr Mubarak also revealed that be had sent a team of inspectors to an

alleged underground chemical weapons plant in the Tarbunah mountains, 55km south-east of Tripoli, in Libya.

"We have already sent people to Tarhunah and there is nothing to see inside the tunnels. There is no chemi-cal installation for the time being and there is no activity there." Mr Mubarak said thet Libvan leader

Colonel Muammer Gadaffi had asserted that "they can be used as a store for ammunition or something and I am asking him to avoid ony involvement in chemical weapons. Otherwise they'll be a disaster."

During a visit to Cairo in April, Mr William Perry, the US defence secretary, said he had evidence Libya was building the world's largest underground chemicals plant. The Libyans claimed it was part of the man-made river development that pumps water from aquifers in the south to urban centres on the Mediterranean. The Libyan leader has been in Cairo

By Roula Khalaf

hank approval.

delay listings.

reconstruction efforts, it bas

become all the more important

for Lebanon to bolster banks

and the bourse - both central

to its efforts to re-emerge as a

Lebanon's banks survived

the country's 16 years of civil war partly due to regulation.

imposed during the war, which

forced them to obtain prior

central bank approval for each

new shareholder. The central

bank's aim was to shield a

vital industry from being taken

over by unsavory investors or

But the regulation became a

abused by militia warlords.

banks' capital.

regional financial centre.

since Saturday for talks about Tarhunah, among other things, and Mr Mubarak said he hoped to persuade him to let a team of international inspectors visit the site. He also said be boped to get guarantees that Libya would not re-activate the expulsion of thousands of Palestinians

Last October, Col Gadaffi ordered the expulsion of about 30,000 Palestinians, and other foreign workers, to highlight the difficulties of the Palestinian-Israeli peace agreement.

Many had nowhere to go and could not get papers for entry into Egypt and the Palestinian territories. As creation of a new class of Palestinian refugees began to strain regional teneions, Egypt persuaded Mr Gadaffi to give them a six-months reprieve, which expired at the end of April.



Tougher line may affect investors in oil and gas

Kazakhs to tighten up on tax under IMF deal

By Sander Thoenes in Almaty

Kazakhstan has reached a preliminary agreement with the International Monetary Fund for a \$450m loan, but it is tied to tougher taxation which may discourage new investments in the oil and gas sector,

Kazakh officials said, The three-year Extended Fund Facility, if approved by the IMF board later this year, would be a step beyond earlier one-year standby facilities. The IMF approved a \$10bn facility for Russia last year April.

Mr Uraz Dzhandosov, chairman of Kazakhstan's National Bank, said his government had pledged to cut inflation to 26-28 per cent by the end of the year, down from 160 per cent in 1995

and 1.258 per cent in 1994. Fund officials had earlier urged Kazakhstan to set a 20 per cent inflation target but raised the ceiling when inflation rates in the first quarter were higher than expected.

Bank financing of the budget deficit should go down to 0.8 per cent of gross national product, with Treasury bills and foreign credits covering the remainder of a 28 per cent deficit, according to Ms Zhannat Ertlesova, the first still gaps that leave a lot of

deputy economics minister. Kazakhstan will be hard pushed to adhere to a tight budget as it faces a looming payment crisis that bas brought bundreds of enterprises to a near standstill.

Ms Ertlesova said the government would tighten control over monopolies, especially in energy and transport, which have pushed many enterprises into debt by raising

She said her government had pledged to boost tax revenues from 15 per cent of gross domestic product to 20 per cent, but had resisted IMF pressure to raise existing taxes. Instead, the government would boost returns mainly by improving tax collection and by introducing new taxation on natural resources.

Ms Linda Senat, vice president of the International Tax and Investment Centre, a London-based lobby that has focused on oil taxation in Kazakhstan, said that the Kazakh parliament appeared keen on passing a draft law on taxation of natural resources within a month.

"It's quite a tough regime." said Ms Senat. "And there are

uncertainty. The tax inspectorate is trying to find the right balance between revenue rais-

ing and foreign investment." Most current investors in the Kazakh oil, gas and gold sec-tors have obtained tax exemptions, but some, including a large British Gas venture, may face tax increases because they have yet to sign a production sharing agreement. New investments that could

affected include the Vasilkovskoye gold mine and the Zhanazhol and Kumkol oil-fields, which are up for tender. Ms Ertlesova said the government would continue interest payments on foreign debts to regain trust abroad after a number of defaults in previous

The government would now only guarantee viable investments in infrastructure and social projects, relying on private investments for other sectors, she said. The tough budget will also

burt social welfare, already devasted by years of low finan-Ms Ertlesova said that social services, much of which used to be provided by local indus-

tries, would be transferred to

anese banks' need to recapitalise increased and bankers lobb-Lebaneee banks bave ied for the regulation to be scrapped.

Lebanon banking law

boosts financial hopes

welcomed a law passed last week which allows them to The new law will enable Lebfloat up to 30 per cent of their anon's 79 banks to compete on sbares without prior central better footing with foreign newcomers. Bankers warned, bowever.

It also acts as a first step that the stock market's lack of towards injecting some life liquidity and the absence of an into the Lebanese bourse, independent stock exchange which opened after much delay earlier this year but still has only four slocks listed and a regulator would continue to daily trading volume of only a After last month's Israeli bombing campaign disrupted few thousand dollars.

Some hankers said the new law was in itself insufficient while the stock market was so limited.

"It is a good law provided there is a stock market and the market is strong enough and liquid enough." said one banker. "The first condition for anyone to list is liquidity and depth of the market."

Lebanese officials are partly pinning their hopes for Lebanon's revival on a vibrant stock exchange where they expect companies from other Arab countries - Syria in particular - eventually to list their shares.

liability once the war ended Lebanon's family-controlled and the steep devaluation of the Lebanese pound eroded the businesses have been slow to issue shares on the bourse As foreign banks began and have been discouraged trickling back to Beirut, bring-ing capital and expertise, Lebby undervalued balance sheets resulting from the

local currency's depreciation. Mr Freddie Baz, adviser to Banque Audi, which is expected to be among the first banks to list, said be would like to see how the bourse will be regulated before applying for a listing. "We want to see tighter surveillance to make sure that

the stock exchange is well reg-

ulated," be said. The Lebanes government, bowever, is still working on setting up a securities and exchange watchdog. Perhaps as important for Lebanese banks is another law passed by parliament last week enabling them to manage fiduciary accounts and other offbalance-sheet items. This law will allow Lebanese banks to place depositors' funds with other institutions outside the

return for a fee. With billions of dollars held by Lebanese outside the country, this could prove a boon to some banks, especially as the accounts will not appear on the domestic institutions' balance sheet nor raise the banks' risk profile.

country and manage them in

"This is the most important development in the banking system since bank secrecy laws," Mr Baz said, "The mix of bank secrecy and fiduciary accounts - will give the banking system a new competitive INTERNATIONAL NEWS DIGEST

Thai finance minister quits

Mr Surakiart Sathirathai, Thailand's embattled finance minister, yesterday submitted his resignation at the request of Prime Minister Banharn Silpa-archa. Mr Surakiart is the 11th Thai cabinet member to resign in recent days, paving the way for Mr Banharn to reshuffle the cabinet, a move crucial to his own political future. The prime minister had an audience with Thailand's king last night to review the new cabinet line-up hut did not make an announcement or say whether he had

accepted Mr Surakiart's resignation.

But Mr Surakiart said be considered his removal to be a done deal. "I bope my successor continues Thailand's programme of financial liberalisation," he said.

Local newspapers said the likely candidates to eucceed him were Mr Bodi Chunnananda, former head of the Budget Bureau, and Mr Paron Israsena, president of Shinawatra Satellite and former bead of the royally owned Siam Cemen

S Korean growth put at 7.9%

The South Korean economy grew by a surprisingly buoyant 7.9 per cent during the first quarter of 1996, but the central bank warned the gross domestic product growth rate would slow. GDP growth in the first quarter was higher than the previous quarter's rate of 6.8 per cent and exceeded the central bank's forecast of 7.3 per cent. The upsurge in economic performance reflected strong exports, increased infrastructure

construction and robust consumer spending.

Exports rose by 24 per cent as shipments of electronics transport equipment and industrial machinery increased to east European countries. The construction sector grew by 9.3 per cent as spending on public works increased, while private consumption rose 7.2 per cent. The central bank predicted that economic growth would slow in the second quarter because of sluggish exports of cars and semiconductors and a fall in John Burton, Secu. construction investment.

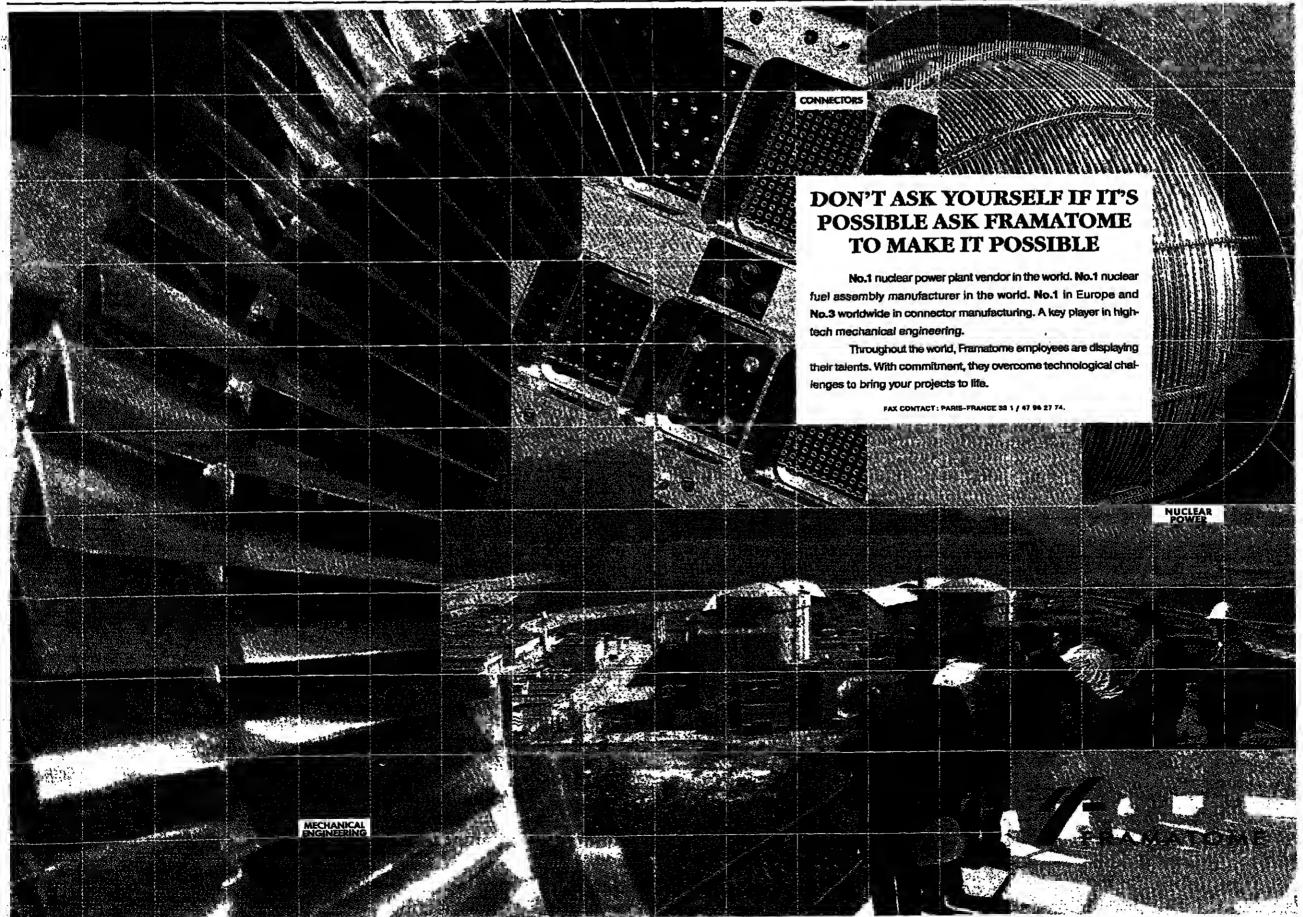
Israeli interest rates to rise

The Bank of Israel yesterday said it would raise interest rates 0.7 percentage points in June in an attempt to rein in inflation after consumer prices rose 1.7 per cent last month. The increase in April's monthly index put inflation for the first four months of the year at 4.5 per cent, suggesting that the 1996 rate will far exceed last year's 8 per cent.

After the interest rate increase in June, commercial banks will pay 15.5 per cent in interest to the central bank instead of 14.8 per cent. The Bank of Israel has kept rates high as part of its plan to control inflation, keeping the Israeli shekel stable at around three to the dollar for more than three years. Critics say the policy has caused Israel's growing trade deficit, which reached \$2.97bn in the first quarter of 1996. AP-DJ, Jerusalem

NSW pensions group to be sold

The New South Wales state government will go ahead with privatising the state pension fund management unit, which handles around A\$17bn (US\$13.6hn) of public servants' retirement funds. Fund management businesses usually sell at 1 to 2 per cent of funds under management, suggesting the disposal could bring in A\$200m-A\$400m for the state government. The government announced earlier this year it was splitting out the fund management arm of the State Superannuation Corporation from the administration unit, and Mr Michael Egan, state treasurer, then said he was in favour of privatising the former part. Nikki Tail. Sy Nikki Tait, Sydney



By William Dawkins in Tokyo

Honda, the Japanese carmaker, yesterday said its graduate intake would double this year. its first increase in four years and the latest indicator of the improved economic outlook for Japan's largest companies.

The Hooda announcement marks a break with the graduate recruitment freeze introduced by most of the top industrial companies after the collapse of the "bubble economy" of the late 1980s.

Honda officials said the decision came thanks to increased car sales in Japan, a factor in the group's 22 per cent increase in pre-tax profits in the year to March, announced

But Honda's performance, while impressive, is only slightly better than the average 19.9 per cent annual profits increase reported by 600 leading companies to date, the fastest profits growth for seven years, eccording to Wako Research Institute of Economics, an affiliate of the stockbroker of that name, yesterdey. Honda will hire 400 gradu-

ates this year, which compares with the 700 graduate posts, a 40 per cent incresse on last

year, announced recently by Matsushita, the world's largest consumer electronics company and a Japanese industrial employment trend-setter.

Other pillars of Japan's industrial establishment to have announced increases in recruitment this year include Toyota, the country's largest car group, where new jobs will rise nearly 60 per cent and NEC. the country's top computer producer, up 20 per

Recruitment increases have even spread to financial services, where stockbrokers Yamaichi Securities, Daiwa Securities and Nikko Securities have all announced over the past week that they will seek extra graduates this year.

On average, corporate Jepan is expecting to hire 24 per cent more university graduates this year than last, a 10-fold increase on last year's 2.4 per cent recruitment growth rate, according to a company survey by the Nihon Keizai Shimbun economic newspaper.

These intentions are reflec-ted in a slightly increase in the ratio of jobs on offer for every 100 applicants, from a recession low of 61 last July to 67 at the most recent count in March.

Japan's giants | Alarms sound over China's slower economy.

Tony Walker reports on fears about the effect of strict curbs on fixed asset investment ikening China's econ-Dayong, of the bank's policy asset expenditures during China: slowing down unit, said recently there were

omy to a "three-borse cart" which had "lost several of ita horses," Mr Zheng Jingping, a senior offi-cial of the State Statistical Bureau, recently sounded the alarm over China's slowing economy. Chinese economists and

their western counterparts have become increasingly concerned by sluggish jobs growth, a continuing huild-up of inventories and increasing state entarprise debt. The economy has been

driven during the past several years by strong export growth, robust fixed asset investment and high levels of consumer spending, but indications that economic activity may be slowing too rapidly are likely to increase pressure on the gov-ernment further to ease credit, and perhaps institute an additional round of interest rate cuts following the May 1 reduc-

China, it seems, is entering a new and testing phase in its efforts to maintain growth while curbing inflation.

China's export growth faltered in the first quarter - it recorded a trade deficit of \$1.15bn in the three months to March - and fixed asset investment has slowed sharply in line with the government's stabilication programme. This was instituted in July 1993 to cool an overbeating economy and calm inflation, which reached a post-1949 revolution high of 21.7 per ceot in 1994.

Unrestrained growth in fixed

1992-1993 boom years was blamed for creating excessive demand and feeding inflation, hut economists worry that strict curbs on investment in capital construction and upgrading plant and equipment may have gone too far. Mr Zheng noted that in the first quarter fixed asset investment grew by 16.2 per cent, an 18 per cent decline on the same period last year. "For a huge

from fixed assets," he said. "Allowing the trend [of slow ing investment in fixed assets] to continue will be likely to mean the country suffering s substantial slowdown this year," Mr Zheng warned. But retail sales continue to

developing country, the moti-

vating power behind economic

growth should come mainly

be strong, with sales volume up 23.6 per cent on the same period last year. Actual growth after inflation was about 15 per

China yesterday released Mr Bao Tong, the

most senior official jailed in connection with

the 1989 pro-democracy agitation, but he is

being kept under virtual house arrest near Bei-

jing, Tony Walker writes. Mr Bao, 63. was spir-

ited away to Beijing's Western Hills resort on his release, apparently to shield him from the

foreign press, which had staked out his home.

China is treating Mr Bao's release with great

caution since it comes just one week before the

seventh anniversary of the June 4 crackdown in

Real GIIP growth (%) Inflation: retail prices (%) 1991

the same period during the past three years. Mr Wu Jinglien, a senior adviser to the government in his role as research fellow at the State Council's Development Research Ceutre. is

a slowing economy. Mr Wu

said in an interview China

TIANANMEN PROTEST OFFICIAL LEAVES JAIL

selective easing of credit. smong Chinese economists who have been warning about

party chief ousted in a "palace conp" by bard-liners, who demanded his removal for letting

demonstrations get out of band.

Officials in the People's Bank of China, which is leading the

fight against inflation and

its retrenchment and there were arguments for a further

might have "gone too far" in

seeking to hold the line on monetary targets, beve also begun worrying about slowing economic growth. Mr Wang

to be a worrying structural problem for Chinese industry which dozens of demonstrators died at the hands of the security forces in and around Beijing's central Tiananmen square. Ms Bao Jian, Mr Bao's dangbter, reported ber fatber was being held, following his release after serving a full seven-year jail term, until after the Tiananmen anniversary. Mr Bao Tong was aide to Mr Zbao Ziyang, the former Communist

GNP growth (%)

arguments for a further loosening of the reins since the economy may have "contracted too

Economic growth reached 10.2 per ceut last year and continued at that rate in the first quarter, but economists are revising downwards their growth estimates for this year. Mr Zheng Jingping of the State Statistics Bureau said growth could slow to 7 per cent as a consequence of the drop in fixed asset investment.

The brokers W.l. Carr, like other observers in the west, are also beginning to reassess forecasts for China growth this ear. Carr had been predicting 10 per cent growth, but Mr Joe Zhang, associete director of the brokerage's Economics Unit in Hong Kong, said the unit was "re-doing it numbers" and a lower growth forecast was

Mr Zbang also noted the emergence of what may prove and exporters in particular that of market seturation: Since the second half of 1995 the world market has been saturated with cheap Chinese products... The question is how much more can the world market absorb of goods at the lower end of the spectrum." Among indications of slow-

ing activity is the continuing rapid rise in inventories.

"Many companies are recording very poor sales to produc-tion ratios," said Mr Zhang who added that bulging inventories might account for as much as 5 per cent of GDP.

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The lingering credit squeeze, which has exacerbated China's triangular debt problem - the inability of enterprises to pay each other for goods and services - has also been reflected in extremely poor results for many companies, especially machinery manufacturing for

such sectors as textiles. Unemployment rates are also rising. The official jobless figure among urban workers is 3 per cent, but the ectual figure is almost certainly much bigher, especially in China's depressed north-east industrial heartland.

China's policymakers in their efforts to provide selective economic stimulus credit has been easier since the last quarter of 1995 - must also. wary about a resurgence of inflation, W.I. Carr is forecast ing a 13 per cent rise in retail prices for the year and monthly inflation running at 17 per cent year on year by the end of 1996. This would be an ominous

development for a government which has said it would be prepared to sacrifice growth in the iuterests of keeping prices rises in check. But with the economy apparently slowing faster than expected, there are no easy choices.

Carmaker to end some outsourcing

Mitsublshi Motors is to take back the production of some automatic transmissious in-house to raise capacity utilisation amid the increasingly competitive market environ-

MMC's move contrasts sharply with that of GM. the US vebicle manufacturer, which faced a strike over Its plans to outsource some parts manufacturing to cut costs.

Rather than close a line, reduce its workforce and cut costs MMC is increasing production to keep its workers busy. The Japanese carmaker is Investing Y10bn (\$94m) in an engine manufacturing line in Kyoto to equip it for the production of an additional 180.00

With a mature domestic marproduction overseas to cope with the high yen, a number of Japanese carmakers have struggled with low capacity utilisation rates and excess workers. Some Industry analysts believe two or three car manufacturing plants need to be closed to improve the competitiveness of Japanese car-

Pinancial Publishing

By Michiyo Nakamoto in Tokyo makers. However, the social stigma attached to closing a manufacturing facility or laying off workers means that few companies chose to do so.

"The Japanese have taken a different strategy to the US in restructuring," notes Mr Enda Clarke, industry analyst at Dresdner Kleinwort Benson in Tokyo. Other Japanese compa nies have also been taking back work from suppliers or adding parts manufacturing. Nissan, for example, has taken over some axle production from Unisla Jecs, one of its biggest suppliers, while others have kept the production of high-value-added airbag parts in-bouse, Mr Clarke noted.

MMC, which could save Y16bn a year by taking automatic transmission production in-bouse, needs to secure stable income for its engine bust-Chrysler, the US carmaker, with 400,000 engines a year is expected to end in 1999. The engine contract with Chrysler represents just under a fourth of Mitsubishi's engine production at Kyoto, which has an annual capacity of 1.8m units and an estimated Y40bn in

Howard may sidestep MPs on sell-off plan

By Bethan Hutton in Sydney

The Australian prime minister, Mr John Howard, said yesterday he was prepared to use any lawful means to fulfil his election promise of privatising one third of Telstra, the national telecommunications carrier, even if it involved bypassing parliament.

His comments follow the government's admission that it was examining a possible way to sell off part of Telstra without having to pass a bill through the Senate, where there is no government majority and where opposition politicians are extremely hostile to the plan. Last week Labor and Democrat senators delayed the proposed privatisation by referring it to a select committee.

The government's legal advisers say it could avoid the need for legislation by transferring Telstra assets to a new company, jointly owned by Telstra and the government, and then to a third, wbolly government-owned company, which would be ontside the jurisdiction of legislation covering Telstra.

plicated and expensive than a straightfnrward privatisation, and could reduce consumer pro-

The opposition communications spokesman Mr Chris Schecht, accused the government of a "snnb to parliamentary democracy", and said it bad been "extremely duplicitous" in starting to plan the alternative privatisation route within days of its election in March. Mr Schacht said the scheme could cost A\$1bn-A\$2bn (US\$800m-



Howard: no majority in the senate

US\$1.6bn)in stamp dnty. Mr Jim Sbort, assistant treasurer, denied that the scheme would amount to asset stripping.

ard Alston, said that the straightforward parliamentary ronte was still the government's preferred nption.

The Telstra privatisation plan was a controversial part of the Liberal-National party coalition's election manifesto, as it was tied to a A\$1bn environmental programme, which the coaliting said could not be funded without the proceeds from partial sale of Telstra. The sell-off is expected to raise about A\$8bn.

IMF sees higher growth for Philippines economy MANILA'S ECONOMIC PERFORMANCE

By Edward Luce in Manila

Philippine gross national product is set to grow by 7 per cent in 1996, up from 5.7 per cent last year, according to a letter of intent to be signed by the government and the international Monetary Fund this The letter, setting out condi-

tions and targets for the final year of the Philippines' threeyear IMF programme, says the success of the government's reforms bas lifted the country's growth rate. The IMF is recognising that

the country's strong export performance and good investment flows augur well for contlnued blgber sustained growth," said Mr David Nellor, IMF representative in Manila.

Mr Romeo Bernardo, Philippine undersecretary for between the IMF and the government last year about what some saw as excessive money supply growth had been over-taken by events. Under the new monetary targets inflation is expected to drop below sin-"It is quite clear that infla-

tion [11.3 per cent last month]

Budget surplus (on pesos) "Actual, ""IMF IS/DRL is now on a downward trend," said Mr Bernardo. "The IMF is also confident that we are now which yesterday announced it in a position to push through was returning to the Samurai our setpiece tax reform legisbond market for the first time

latioo, which is the most

Important remaining condition of the programme." Under the targets for the remaining 12 months of the \$650m IMF programme, the government will have a budget surplus this year of almost 1 per cent of gross domestic product - or 17.5bn pesos (\$670m) - and record an infla-

tion rate of between 6 and 7 growth (M3) will be cut from 31 per cent to about 25 per cent and the central bank's foreign exchange reserves will rise to two-and-a-half months worth of imports or about \$10bn.

The country's debt service costs, as a proportion of exports, will fall from

6.5-7.5 10.0 Source: Department of Finance 14 per cent to 12 per cent. The Philippine government

> of ven-denominated debt in July, says it is confident it will persuade Congress to enact the controversial tax reforms in the next few weeks. The tax bill, which has been attacked by powerful business groups opposed to the shift from ad valorem to specific excise taxes, seeks to broaden

in 15 years with \$400m worth

the tax base and guarantee per-The government, which negotiated a compromise with congress at the weekend over the clause on specific excise taxes, says the reform will generate an extra 38bn pesos in revenues per year, enabling it

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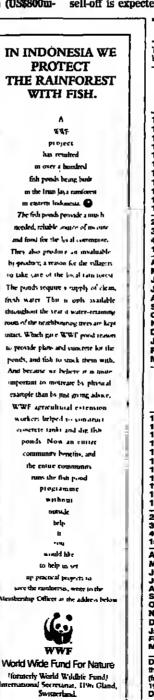
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THE RAINFOREST WITH FISH. **TAP** project has resulted m over a bumbed fish pends being bud in the Iran last ramions m etstern Indonesia. 🚨 The fish psyds pervade a min h needed, reliable source of mounts and fond for the local commune They also produce an invaluable bi printer, a reason for the fillers to take care of the local rath toron The ponds require a supply of clean, fresh water. This is only available throughout the year it water-resuming rough of the perchburgons trees are kept untact. Which gare WWF proof reason as provide plans and success he sho ponds, and tish to stock them with And because we believe a m timber important to mostreare by physical example than by mat going adone. WWF aermultural extension workers belied to son armit concrete tanks and dig lish ponds Now an entire unev benetine, and ipe cuine commanue uns the fish prod would hive to help us yet



INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS Trade figures are given in billions of Euro is an index with 1985–100 ■ UNITED STATES **GERMANY** -174.2 -140.8 -137.8 -100.2 -99.3 -79.3 -53.5 -65.2 -98.7 -127.0 -123.5 -163.0 -153.4 -144.1 -107.4 -94.3 -72.7 -6.0 -47.5 -85.4 -127.6 -118.3 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1985 2nd qtr.1995 4th qtr.1995 1et qtr.1996 180.50 165.11 166.58 151.51 151.87 183.94 166.44 164.05 130.31 120.99 121,43 100.0 127.7 138.6 153.7 147.0 132.5 143.7 150.7 161.0 194.9 204.8 0,7623 0,9836 1,1541 1,1833 1,1017 1,2745 1,2391 1,2957 1,1705 1,1857 1,2928 100.0 81.4 71.9 67.0 70.0 66.7 65.7 64.4 66.3 65.1 61.2 228.2 208.9 194.7 216.7 245.5 220.0 247.6 254.8 300.0 323.5 331.2 64.5 87.2 75.5 67:0 53.4 28.5 62.4 90.4 111.1 108.6 86.5 242.7 248.5 254.4 272.6 310.1 323.8 327.5 331.1 323.3 358.0 395.0 33.0 53.3 56.7 67.4 65.2 51.5 11.0 18.9 31.6 38.1 50.1 100.0 108.6 174.9 114.1 113.3 118.1 117.1 120.5 125.6 132.1 -33.0 -31.1 -26.9 -30.3 -32.7 -30.9 -24.1 225.3 203.7 167.8 182.0 59.0 61.0 62.3 63.7 87.5 81.2 80.4 1.3175 111.31 122.36 130.87 1.8402 1.8824 1.8365 1.8455 1.3020 1.2897 1.2570 132.92 April 1995 May June July August September October -11.1 -10.7 -11.1 -11.4 -9.6 -10.0 -9.6 -6.5 -8.8 -11.2 -9.1 -10.0 111.24 111.17 111.51 116.38 122.52 126.19 130.79 131.98 129.85 133.43 36.0 37.5 36.5 35.3 38.4 39.5 38.3 38.9 40.1 39.3 41.3 40.8 1.3279 58.7 59.1 59.0 59.2 61.3 62.5 61.9 62.2 62.7 63.6 63.6 226.6 224.4 225.1 217.2 202.6 191.6 188.8 166.8 167.9 182.1 162.1 33.1 32.5 34.0 32.5 32.1 34.6 33.6 33.6 33.6 33.6 4.6 4.0 3.6 3.6 4.0 4.4 4.0 5.2 3.6 3.4 5.2 1.8320 1.8420 1.8465 1.8511 1.8705 1.8666 1.8367 1.8363 1.8374 1.8460 1.8377 134.5 132.9 132.7 133.0 131.1 132.9 132.4 131.6 131.0 130.8 6.2 6.0 9.2 7.2 6.7 6.8 4.3 6.6 6.6 1,3056 1,3192 1,3335 1,2954 1,2772 1,2977 1,2964 1,2758 1,2634 1,2538 1,2541 FRANCE **TALY** UNITED KINGDOM ESTection exchange rate 1443.0 1461.6 1494.3 1536.2 1523.2 1531.3 1691.5 1836.7 1908.6 2106.4 103.7 99.4 100.7 108.3 127.8 133.8 137.0 137.9 144.3 160.1 177.3 100.0 101.4 101.1 97.7 98.6 100.1 98.7 95.6 80.5 77.0 69.4 132.4 108.3 112.3 120.9 137.0 142.3 147.7 145.9 155.1 174.1 186.4 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 113.2 114.0 114.3 113.6 2198.2 2096.4 2061.0 1976.7 66.4 70.0 70.4 73.2 5.6 7.1 5.0 -1.2 6.4371 6.5216 6.4816 6.4424 6.4322 8.4344 6.4104 6.3308 6.3269 6.3221 6.3199 6.3434 2273.5 2159.8 2161.4 2146.5 2080.2 2062.6 2084.7 2064.8 2033.6 2001.4 1989.6 1959.1 75.9 75.7 75.5 75.1 75.8 76.2 75.7 74.8 74.5 74.5 75.0 0.8227 0.8271 0.8359 0.8261 0.6183 0.8224 0.8291 0.8265 0.8254 0.9159 0.8212

important shipyards. Under an agreement signed in Bucharest yesterday, it is to invest \$53m in a 51 per cent stake in Romania's 2 Mai shipyard at Mangalia, 45km south of Constanta, the country's main Black Sea port.

country's most important foreign

It plans to invest \$900m in Rodae Automobile, the joint venture it formed with Romania's second car

considering projects in the tourism and rail sectors.

Romania since 1989 reached \$1.78bn at the end of April according to the Romanian Development Agency, the

shiphuilding industries and the joint venture, first planned two years ago, was delayed partly due to local opposition to selling a company considered of strategic importance to a foreign investor.

The joint venture is expected to become the third in Romania to qualify for extensive tax hreaks, including exemption from profit tax for seven years, given to large

A law, passed in 1994 as a condition of Daewoo's investment in Rodae, gave such incentives to foreign companies investing \$50m or more in industrial projects with at least 50 per cent export and 60 per cent local WORLD TRADE NEWS DIGEST

Taiwan presses N-plant project

controversial nuclear plant to meet the island's fast-growing electricity needs, despite a parliamentary vote calling for the project to be scrapped.

Taiwan Power Company (Taipower), the state electric

utility, at the weekend awarded a contract for two nuclear reactors and related equipment to General Electric of the US. The GE bid of \$1.8bn beat competition from ABB's US unit. Combustion Engineering, and from Westinghouse of the US, which teamed up with the Nuclear Electric of the UK.

The decision followed a vote in the national legislature

demanding the cabinet abandon the project, which anti-nuclear activists claim is unsafe and a potential environmental hazard. While largely symbolic, the vote is a warning to the government that there is substantial

Brushing aside the controversy, Taipower plans to open bids for the steam turbine generator for the plant in July or

Carmakers may spin off engines

A radical restructuring of the global automotive sector may soon take place with carmakers spinning off their engine divisions into fully independent companies.

Egis, the Paris-based management consultant, argues this in a new report. Egis believes the transformation could begin as

soon as next year. It says investors, consumers, car "integrators" and engine manufacturers would all benefit.

The report argues that such a reorganisation – in which a group of frontline cormakers agree to separate their engine units from their core businesses and to merge them into perhaps two specialised engine companies - would enable the

best engines to be produced in much larger quantities. At present, production of even exceptionally good engines whose development costs can reach \$1bn, may amount to only about 500,000 units a year.

Egis estimates that over a number of years, a specialist engine maker would be able to offer engines of improved design at prices between 3 per cent and 7 per cent below competitive suppliers. Is the automotive industry facing a radical evolution?

Available from Egts, 3 rue de l'Arrivée, 75749 Paris Cedex 15, France, Tel: (331) 45387093

Enron in Mideast gas venture

Enron of the US yesterday announced that negotiations on a joint venture to build a \$300m regasification plant in the Jordanian Red Sea port of Agaba had been concluded. Ms Rebecca Mark, chairman of Enron Development, said talks with Israeli and Jordanian partners had ended and the parties would sign the agreement in the next couple of weeks. According to the agreement Enron will own 50 per cent of

the venture. The government of Qatar gave Epron approval to market 5m tonnes of liquefied natural gas a year, half to India and tha rest to the Middle East, from a planned joint venture in Qatar. The regasification plant would supply Jordan and Israel with Qatari gas from the year 2001.

 SNC-Lavalin, Canada's biggest engineering and construction group, with consultants Klohn Crippen, is doing a US\$5m feasibility study of a highway/light transit system for Pianjin City, 120 miles from Beljing. Total capital cost of the project would be US\$2.5bn. Robert Gibbens, Montreal

Daewoo, the acquisitive South Korean industrial group which is already one of the biggest foreign investors in the former eastern bloc, is to take control of one of the Black Sea's most

After Constanta, 2 Mai is Romania's

By Manuela Saragosa

at a disadvantage.

Indonesia bas no plans to

revise its decision to develop a

national car in spite of sharp

international condemnation of

country's motor vehicle sector

gramme," Indonesia's minister

for trade and industry, Mr

Tunky Ariwihowo, told the

that the minister did not feel

pressured by international crit-

The minister made his com-

ments after meeting Mr Andrew Card, head of the

American Antomobile Manu-

The association - grouping

Chrysler, Ford and General

Motors - has joined in an

international chorus of con-

demnation of the Indonesian

US automotive companies were

postponing plans for further

investments in Indonesia. In

April a senior Ford executive

in Bangkok said the company

was revising plans to build a

plant in Indonesia because of

the country's national car pol-

Indonesia was on the road

Mr Card warned that several

facturers' Association.

We have no intention of

the policy, which puts estab-lished foreign investors in the

second largest shipyard with capacity to build and repair ships of up to 200,000 deadweight tonnes.

It has two docks including the largest repair dock in the Black Sea and also produces rigs and equipment for the country's offshore oil industry. Daewoo is already by far the

producer in 1994, has applied for a local banking licence and is also

"The new national car programme appears to signal a

chaoge in direction from its

good record on deregulation

and promotion of free markel

in February Indonesia's gov-

ernment unveiled a package of

tariff and tax breaks for Timor

Putra Nasional, a company

owned hy President Suharto's

with South Korea's Kia Motors.

The preferential treatment

owned by the

president's son

and tax breaks

country.

to success, but has now put up a stop sign," Mr Card said. the government that this is

has received tariff

allows the president's son

to undercut all established

car manufacturers in the

The national car policy has also drawn criticism from

Japan and the European

Union's trade commissioner,

Sir Leon Brittan. Both have

claimed that Jakarta's national

car policy breaches Indonesia's

obligations under the World

But no country has yet

brought the issue to the WTO.

I can't sav what the US gov-

ernment will do. But I do know

Trade Organisation.

"We have no intention of youngest son, to produce a revising the government's pro-national car in co-operation

official Antara news agency.
The Antara report added A company

Total direct foreign investment in

inward investment body.

Romania, which has 12 shipyards,
has one of the world's largest

Privatisation officials said Doewoo's investment, to be paid in instalments. would boost quality and productivity at the shipyard and that the company had agreed to maintain a workforce of 3,400 for at least two years. Although 2 Mai, built 20 years ago, has orders until 1997, it has been constrained by its outdated technology.

The aim is to increase production from less than one ship a year to more than six and to lift the number of ships repaired at the yard to over 100 a year from about 40 at present. Around 80 per cent of the yard's

World competitiveness

Minister brushes aside international criticism Reforms Jakarta presses ahead keep US at top of with national car plan

clearly a violation of the WTO," Mr Card said in Jakarta

There has also been criticism

of the way the Indonesian gov-

ernment unvelled the policy.

There was no open tender for

the project and the announce-

ment surprised a largely

Timor Putra Nasional says it

has received orders for at least

33,000 Timor cars and that Kia

Motors is ready to ship

4,000 sedans in knocked-

own form to Indonesia each

month starting June this

breaks, the company is

required to increase its local

components content to 20 per

cent in the first year of produc-

third year.

tion and 60 per cent in the

There has been some con-

cern that the national car pro-

gramme will prompt the Japa-

nese government to reduce its aid commitment to Indonesia.

Japan is Indonesia's largest

donor country and the aid is

an important component of the

Indonesian government's bud-

Japanese diplomats say that

aid to Indonesia could well fall

hut that this is unrelated to

Aid is "becoming increas-

the national car programme.

ingly difficult to explain to the

taxpayers as Japan's trade sur-plus shrinks," Japan's ambas-

sador to Indonesia, Mr Taizo

Watanabe, said recently.

Under the tax and tariff

unsuspecting market.

league

The US and Singapore bave maintained their lead as the world's most competitive countries while Germany and Switzerland, Europe's former stars, have been relegated to the second division, according to rankings compiled by the International Institute for Management Development.*

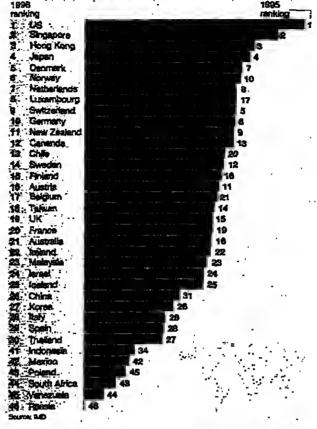
Prof Stephane Garelli, direc-

tor of the IMD's world competltiveness project, says the US has reinferced its top position with bold economic reforms involving deregulation and privatisation, together with a renewed leadership in new technology. But this gain in competitiveness has been assoclated with considerable social costs for workers.

Singapore's success rests on government policies conducive to husiness, high participation in the global economy and effi-cient financial services, DAD

But Hong Kong and Japan, third and fourth respectively, "continue to he plagued by uncertainties" relating to the colony's reversion to China next year and continuing lack of confidence in Japanese government policy.

The IMD, a leading Swiss husiness school, has ranked countries on the basis of 225 criteria drawn from statistical data as well as a survey of business executives.



The report is a successor to the World Competitiveness Report previously produced jointly by the IMD and the World Economic Forum, which publishes its own competitive-

ness rankings on Thursday. Denmark and Norway have displaced Switzerland and Germany as leading European nations in IMD's table, taking 5th and 6th places. Both score highly on labour force quality and management performance, while the slide down the rankings of Switzerland (9th) and

Germany (10th) is attributed to high costs and weak econo-

Elsewhere in Enrope, Britain (19tb) and France (20th) have slipped further. In Asia, Talwan (18th), China (26th) and the Philippines (31st) all advanced up the competitiveness league. *World Competitiveness Yearbook 1996, available from IMD, CH-1001 Lausanne, Switzerland, fax +41 21 618 0204 or email: wcyinfo@imd.ch. Observer, Page 21

OUR STRATEGY

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SO, TOGETHER, LET'S CARE.

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TESDAY MAY

in Los Angeles

The retailer Yncaipa Cos, which turns over about \$10bn annually with supermarkets such as Ralphs, recently asked to stock the merchandise of Galaxy, star team in the emergent US professional soccer, alongside the corn flakes.

But the offer came too late. The whole season's supply of red, white and hlue strip of Galaxy, favourite among Los Angeles' millions of sports-mad but under-served Hispanic citizens, is sold out less than two months after kick-off.

Erring on the side of caution is a self-imposed rule governing Major League Soccer, as the umbrella group for the 10team league is known. LA match crowds are settling down at around 30,000 after Pasadena's Rosebowl stadium was flooded with almost 70,000

fans when the season opened "But I still need to catch myself before I raise my expectations," says Mr Marc Rapoport, the Galaxy's principal shareholder and chairman. The ignominious collapse of MLS's predecessor, the North

American Soccer League, in 1985 is a spectre which helps keep him awake to the risks. NASL's lack of sponsorship, television contracts, and reliance for player skills on imported old lags have been

Yet the underlying challenge remains the same: to convert the millions of young Americans who play the game into spectators (and professional players) and reinforce the audience mix to a level at which large companies will pay big-time sponsorship money. The game must also be embraced by the media, ulti-mately hy national network television. To achieve that It has to grow and embrace all

ethnic markets. Although the teams' pulling power varies according to region, average turnopt is still 23,000 a game across the league and is more than double MLS budget projections. The main

York and Los Angeles teams, is a traditional fondness for the game among young men of Hispanic and Latino origin. In LA, home to an estimated 3m Mexicans alone, between 60 and 65 per cent of soccer spec-

tators have Latino roots. Viewing on Univision, the national Spanish-language television station, is heating all expectations. On the Hispanic May 5 holiday, soccer ranked second in LA viewership rat ings, beaten hy the appeal of Mr Michael Jordan of the Chicago Bulls basketball team.

League and team officials acknowledge the importance of this ethnic group hut pin their hopes for wider acceptance on their belief that the game's cross-cultural appeal was firmly established in 1994 when US cities played host to the World Cup, and a record 3.6m people turned up at the gates. We have Latino crowds who

love the game with a passion at the highest level," says Mr Alan Rothenberg, league chair-man. "We also have millions of Anglo youth who have embraced the sport and who can be converted to paying customers

Named last week as the first North and Central America and Caribbean Soccer Confed eration, Mr Rothenberg says his appointment confirmed the US as "a legitimate soccer power". This claim was enhanced at the weekend with a victory over Scotland, which has qualified for European soccer championships beginning next month.

MLS, which kicked off with some 20 sponsors, is still pulliog in money. Last week, Hewlett Packard, the personal computer maker, and EDS, the information technology arm of General Motors joined the list.

Extra funds will help with romotion, league officials say, hut stress money has never been an issue in a league where strict limits on player salaries and foreign imports mean no team can "buy" lts

By Lesiie Crawford in Mexico City

their Cuban links.

Two Mexican companies with investments in Cuba are preparing their legal defence against new US legislation which will bar their senior executives and families from entering the US hecause of

Cemex, the world's third largest cement manufacturer, and Grupo Domos, a private group which owns a stake in the Cuban telecommunications company ETECSA, are under-stood to be on an initial hit-list compiled hy the US State Department. Over the next two weeks, companies on the list will receive "advisory" letters drawing their attention to the

erty and Democratic Solidarity

Under this legislation, better known as the Helms-Burton Act after its congressional sponsors, executives of compa nies which have traded in Cuban property confiscated from American citizens may be denied entry to the US. Later. executives and shareholders in such companies are expected to receive more specific warning letters, informing them that the US is likely to deny

Grupo Domos, the higgest foreign investor in Cuba, says it will not abandon its \$1.5bn joint venture with the Havana government as a result of US

them visas.

ever, is experiencing difficulties in meeting a final \$250m payment for its stake in ETECSA and its hope of finding a foreign partner to foot the hill may have been dashed

by the Helms-Burton Act. Domos's Cuban venture has also placed it on a collision course with International Telephone and Telegraph, the largest corporate claimant against Cuha certified by the US gov-

Uoder the provisions of the Helms-Burtoo Act, ITT would be estitled to sue Domos in the US for "trafficking" in its confiscated property.

Domos says it had ordered

an "exhaustive review" of the

communications venture. Mr Manuel Cerillo, Domos's representative in Havana, told the Mexican daily Reforma: "We are not traffickers, we are investors in Cuba, which is a

very different matter. Mr Javier Garza Calderón, the wealthy Mexican businessman who owns Grupo Domos, was not available for comment, but, anticipating trouble with US immigration authorities, he has already brought back two daughters who were studying in Boston

Cemex. whose global revenues totalled \$2.6bn last year. will oeither confirm or deny whether it owns property in Cuba. In a brief statement, Cemex said: "Neither the com-

vene the Helms-Burton law or any of its dispositions.

Last year, however, Lone Star Industries of Stamford, Connecticut, another hig corpo-rate claimant against Cuba, issued a direct appeal to Cemex not to take over one of its confiscated Cuban cement facilities. And while Cemex will not say whether the acquisition went ahead, its 1994 company report indicates it was providing "technical support" to a plant jointly owned the Cuban Cement Producers Association and Bancomext, Mexico's state-owned for-

eign trade hank. The report added that the 10year technical agreement gave Cemex exclusive rights to

As a result of the marketing arrangement, lawyers believe Cemex may have fallen foul of the Helms-Burton Act's broad, definition of "trafficking" which extends beyond the acquisition of confiscated US property to cover anyone "entering into a commercial" arrangement, using or other wise benefiting from confis-

cated property".
"A key problem is the breadth and vagueness of the term 'trafficking'," says Mr Daniel Price, a partner at the Washington law firm Powell Goldstein, Frazer and Murphy "On the face of the law, it sweeps in an incredibly wide range of economic activities."

Dethroned Gingrich keeps out of limelight

t was exactly a year ago that Mr Newt Gingrich, Speaker of the US House of Representatives, announced he was going to use the Memorial Day congressional hreak to go "moose watching" in New Hampshire.

His subsequent visit to the first primary state, replete with a small media army and capped by a public debate with President Bill Clinton, had the trappings of a proto-presiden-tial candidacy, in which he revelled. It is so different now. The leader of the conservative revolution is spending this year's recess mostly unwatched Not only is Senator Bob Dole, presumed Republican presidential nominee, leaving Congress to avoid association with the Speaker, but even the Gingrich troops in the House are in a state of mutiny.

That was demonstrated last veek when dozens of moderate Republicans sided with Democrats to increase the federal minimum wage and then to vote down an exemption for small husinesses from having

Democratic jubilation over their rare victory - likely to be duplicated, according to no less than Mr Dole, in the Senate after the recess - was understandable. But Mr Gingrich was also made to feel the verbal lash of moderate House Republicans, concentrated but

"The centre of the Republican party is back," declared Con-gressman Amo Houghton of New York.

Even more striking, no fewer than 23 of the 73 Republican freshmen, once the Speaker's rightwing praetorian guard hut now feeling the heat of re-elec-tion, voted in favour of the first increase in the minimum wage since 1989.

As is customary for the Speaker, Mr Ginerich did not vote, but neither did he utter a word in the preceding debate. He had been saying for weeks that blocking a vote oo the minimum wage would proba-bly hurt Republicans in the forthcoming congressional elections, even though he personally thought that higher pay would cost johs. He had, therefore, left to his

principal deputies - Congress-men Dick Armey, the majority leader, and Tom DeLay, the chief whip - the task of devising a "poison pill" (the small business exemption) to force a vetn from Mr Clinton. In fact, cooservative pres-

sure has meant Mr Gingrich has been ceding considerable authority to Mr Armey, in par-ticular, in recent weeks. The outspoken and dogmatic conservative from Texas was inserted into the long budget negotiations with Mr Clinton to stiffen the Speaker's spine and now he, not Mr Gingrich, conducts the regular press



Armey, left, has come increasingly to the fore in the House as

the House, The decline of Mr Gingrich is a mixed blessing for Mr Clinton and the Democrats. His

briefings nn legislation before very visibility and the contro versy be generated, best exem-plified by his admission that be was moved to shut down the

partly out of pique over his treatment on Air Force One en route back from Mr Yitzhak Rahin's funeral in Israel, made him an easy villain.

By contrast, Mr Armey, a hackhench congressman for 10 years hefore being elevated after the 1994 elections, has nothing like the same public recognition and is, therefore, a lesser target

However, the latest Washington Post/ABC News poll showed how hard it is for Mr Dole to distance himself from the Republican Congress. It had Mr Clinton ahead hy 57-35 per cent, unchanged from the last survey taken before the majority leader said he was resigning his seat, and a 53-43 per cent majority helieving that the Republican record did not justify continued control of the legislature.

Little is now being heard of that record from Mr Dole and, when he does speak of it, it is in language far removed from that of Mr Gingrich. The Speaker once said, with typical expansiveness but to damaging political cost, that the reintroduction of orphanages might be a major contribution to welfare reform, which is not a sentiment In Mr Dole's current vocahulary.

Instead, Mr Dole, helped by advertisements from the Republican national committee, is attempting to make Mr Clinton's character - o

issne in the campaign. On yesterday's public boliday, which honnurs US war dead, the Washington Times, the ultra-conservative newspaper, ran an advertisement

mocking the latest arguments of Mr Clinton's defence lawyers that, as commander in chief, he should not have to face the sexual harrassment brought against him by Ms Paula Jones, a former Arkansas state employee. A Republican TV commercial, set to the tune of "Yon're

in the Army now," brings up the fact that Mr Clinton avoided military service in Vietnam yet is now invoking. the legal protection of the uniform. The president, nevertheless, yesterday performed the customary duties at a ceremony at Arlington National

Yet, in all this, the name of Newt Gingrich is forgotten. Ironically, his public debate with Mr Clinton in New Hampshire a year ago - when the two shook hands in pledging to bring about campaign finance reform - was a civilised exchange, at a higher level than what now passes for polit-Ical debate. But their promise has never materialised and the waters are now rapidly closing over the Speaker's bead.

Jurek Martin

The Government of the Arab Republic of Egypt Holding Company for Metallurgical Industries

Strategic sale of a minimum of 8,000,000 common shares representing at least 40% of

AMEREYAH CEMENT COMPANY

Lead Managers

Bank of Alexandria

Egyptian Financial Group (EFG)

As part of the Egyptian government's privatisation program, the Holding Company for Metallurgical Industries, a state entity, is fully privatising Amerevah Cement Company (ACC) through the sale of a minimum of 8,000,000 common shares representing at least 40% of ACC to a strategic investor(s). The Holding Company for Metallurgical Industries currently owns 77.5% of the company, the remaining 22.5% having been privatised through two public offerings in 1994 and 1995.

ACC was incorporated in 1989. It operates two dry Polysius kilns with a combined nominal capacity of 1.98 million tons of clinker per annum. The plant is situated 40 km. west of Alexandria. Actual production, essentially ordinary Portland cement, reached 2.3 million tons in 1995, making ACC one of the largest players in Egypt, with a 14% local market share. Bottom-line profits reached US\$39 million in 1995, a 78% increase over 1994 results.

The table below summarizes ACC's financial performance during the last three years. Note that the fiscal year ends in June. Figures are in US\$000's

Summary Balance She	et 1992/93	1993/94	1994/95
Cash	24,447	39,608	29.071
Net Fixed Assets	162,816	141,823	126,218
Total Assets	217,755	217,268	193,634
Long Term Loans	142,360	90,484	38,378
Net Worth	10,836	34,117	44,509

Summary Income Statement	1992/93	1993/94	1994/95
Net Sales	82,541	98,938	105,772
Earnings Before Int., Taxes, Dep. &Am.	40,283	53,397	49.067
Earnings Before Interest & Taxes	25,556	36,942	34,017
Net Profit	5,100	22,112	39,372

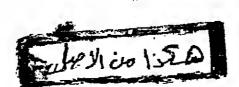
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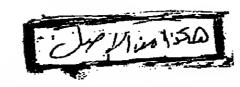
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Fax: (202) 571-0849

Contact Persons: Dr. Mohamed Taymour Mr. Hassan Heikal

The deadline for submission of bids is June 24th 1996. Investor(s) can bid for whole or part of the offered shares.









Jure 13

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The frontiers of knowledge are being pushed back every day. And everyone needs to be aware of the possibilities presented by today's information explosion. Thanks to the Infobahn, that dream is now a reality. With T-Net, Deutsche Telekom has the network and the software in place to transcend the traditional barriers of information and education.

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Ministers last night warned Mr John Major, the prime minister, to abandon his policy of not co-operating in Europe "at the earliest possible opportunity" or face desertions from his Conservative party.

Europhile ministers are expected to press the prime minister to restore normal relations with the UK's European Union partners next week if the EU lifts the ban on UK beef derivatives. Meanwhile Euro-sceptics railied to urge Mr sceptics rallied to urge Mr the prime minister's campaign Major to use the UK's veto at to disrupt European Union

all possible EU meetings until a lifting of the entire ban on British beef and related products was in sight

One minister said "a number of my colleagues in government are very disturbed by the Eurosceptic drift in govern-ment policy. He warned that some ministers could "follow George Walden" - the Conservative MP who threatened to resign the party whip over the weekend - if Mr Major continued to give ground to the right wing in the party. Another minister described

an "ineffective and potentially humiliating bluff".

A third middle-ranking minister said he and his colleagues would press the prime minister to produce a "synthetic vic-tory, declare the policy bas worked and restore normal relations" if the EU lifts the ban on beef derivatives at next week's meeting. Maintaining an obstructive stance in Europe until the UK is given an explicit timetable on the lifting of the ban would be "lunacy of the highest order". he added. The government sig-

business in response to the nalled its sympathy for that EU's refusal to lift the ban as strategy yesterday when Mr Roger Freeman, the minister who chairs the cabinet sobcommittee co-ordinating beef policy, said: "We don't want a detailed timetable that inevitably by a certain date certain things must happen."

His comments appeared to be at odds with a statement by Mr Malcolm Rifkind, the foreign secretary, and prompted fears among the Eurosceptics that Mr Major was backing down less than a week after launching the non-cooperation initia-tive. On Sunday, Mr Rifkind suggested that a timetable

tions. "The second requirement [after lifting the ban on beef derivatives) is to put into place

an agreed strategy."
Mr John Redwood, champion of the Conservative party's Eurosceptic right, urged Mr Major to stand firm. "Farmers and people in the meat business would expect a timetable for the remaining threat to their jobs and businesses to be lifted hefore the government resumes normal co-operation with Europe.

Editorial Comment, Page 21

Siemens and Ford to enlarge plastic car parts venture

Siemens of Germany and Ford of the US are preparing for a £20m (\$30.4m) expansion of their UK joint venture to make engine parts from plastic composite materials. The project was spawned by British research 15 years ago on novel types of plastic used in several products including tennis rac-

The programme by the two companies is expected to create about 200 johs over the next four years. It is part of a plan hy Siemens, which has the majority stake in the venture, to become world leader in making plastic engine manifolds (air inlets) and fuel systems for vehicles.

Plastic engine parts are being studied by large vehicle makers because they are less expensive in mass production than conventional aluminium parts. They can also cut fuel use by contributing to lighter vehicle weight. While only a small minority of new cars worldwide is now fitted with these components, some industry analysts think at least a third of all new vehicles will be fitted with plastic manifolds by

Siemens and Ford are capitalising on work by Dunlop, the UK tyre and rubber goods

financial problems in the mid 1980s, in researching novel glass-reinforced plastic composite materials used in sports goods and other products. Most of this work was done in the early 1980s, some of it govern-ment funded through research

The technology has been developed by Siemens and Ford to form the core of a comtive Systems which is making some 400,000 plastic manifolds a year. The manifolds are for use by Ford in its European car plants as well as by other European carmakers whose identities the Siemens/Ford venture declines to reveal.

Mr Philip Cousins, managing director of Siemens Automotive Systems, said that according to current plans the com-pany would spend about £20m by the end of the century on expanding annual ontput from about £12m last year to about £60m by 2001.

The investment, which has yet to be approved by either company, would probably add 200 jobs to the 200 already employed at Telford in the English Midlands. The two partners have already put about £20m-£25m into the venture in the form of new equip-



Ben & Jerry's ice cream is the biggest account won so far by Harry Goode, a farmer who decided to combat the decline in market prices for beef cattle by using some of his animals to carry advertisements. Mr Goode's berd grazes next to the M42 motorway in the English Midlands

Irish import curb criticised

By John Murray Brown in Dublin

Baroness Denton, the British minister responsible for the Northern Ireland economy, vesterday criticised the government of the Republic of Ireland for using the European ban on UK beef exports to keep Northern Ireland poultry shipments

out of the republic. The Northern Ireland economy is particularly vulnerable to the "mad cow" crisis, with farmers depending on exports for 80 per cent of beef sales. The minister said Northern Ireland companies had responded either by diversitying out of red meat production, or hy importing beef from the republic for processing in the north. She complained at a conference in Dublin on crossborder co-operation that police in the republic had turned

back a number of trucks carry-

ing poultry and lamb products

from the north. She accused the authorities in the republic of "super cau-tion," but insisted that this should not detract from the achievements of cross-border co-operation. The two governments aim to increase two-way trade to £3hn (\$4.56hn) a year from the current £1.2bn. The conference comes ahead of the

planned all-party talks on Northern Ireland's political

The incldence of BSE is mnch lower in Northern Ireland than England, and an effective disease-tracing system is in place. Local politicians have called on the British government to designate Northern Ireland products as distinct from the rest of the

To the amusement of southern politicians, some Northern freland farmers bave expressed the wish that beef from the region should be treated as Irish beef in order to exempt it from the EU ban.

Another food scare may bruise ministers

By James Harding

Another food safety scare threatened to entangle the government yesterday as minis ters confirmed that leading brands of formula haby milk contained potentially harmful chemicals but refused to name the products concerned.

The health department sought to reassure parents that "there was no cause for alarm" because the level of phthalates - chemicals that could impair fertility - found in nine brands of bahy milk was below official safety levels. Mr Tim Boswell, a junior agriculture minister. using the official formulation used in the case of British beef, said: 'We do not think there is a risk in the normal sense of that word for bables"

However, he admitted that the government would be "aiming to reduce levels of phthalates across all brands." Ministers refused to name the brands tested - all of which were found to include traces of the chemical found to have damaged sperm counts in animals - because the information

is "commercially sensitive". However, they confirmed that hrands made hy the four leading baby milk makers had all been tested and found to contain phthalate traces. Government officials said those four leading manufacturers were Cow & Gate and Milupa (both owned by Nutricia, a Dutch baby food business), SMA (owned by Wyeth, a US company) and Farley's (a bahy food business owned hy Heinzi Milupa reminded consumers that all brands tested were affected, but that "we will continue to take the advice that is given by the government scientists that there is no need to stop feeding your bahy any of these hrands." No comment

companies. Parents and doctors regretted that ministers would not disclose the names of the affected hrands. Dr John Chisholm, deputy chairman of the British Medical Association's committee of family doctors, said: "Mothers will find this very frightening.

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US-built Chrysler • will undercut European rivals

By John Griffiths in London

The launch in Britain next week of the Chrysler Neon will mark the first serious chal-lenge to the UK's car pricing structure from a family car made in north America.

The Neon is intended to be

the first of a series of Chrysler models to he imported by Inchcape-owned Chrysler Jeep Imports UK. It will undercut its main rivals by £1,000 (\$1,510) to £2,000 Mr Alan Pulham, director of the National Franchised Dealers Association (NFDA), believes the Neon will set a new "price yardstick" in medium-sized family saloon market. The NFDA, part of the Retail

Motor Industry Federation, represents most of the UK's total of more than 6,000 franchised dealers. It recently sent a team to north America to investigate prices of new cars in the US, which are on average 30 per cent to 40 per cent lower than in Europe. It concluded that European prices were unwarrantedly high and that manufacturers could cut prices by up to a quarter by simplifying model ranges, streamlining distribution and rationalising mann-

facturing processes.

The NFDA has argued that high prices, not a lack of consumer confidence, lie behind the current depressed sales of new cars to private buyers in the UK.

The Neon, built at Chrysler's Belvidere plant in Illinois, is smaller overall than a Ford Mondeo or General Motors Vectra. But because of its north American "cab forward" design - in which the windscreen is mounted further forward than most European models - interior space is similar to the Vectra's, The cheaper LE model will

cost £11,595 in Britain and the air-conditioned LX model £12,995. Chrysler claims that a L6 litre Ford Escort equipped to the same standard as the Neon would cost £14,300. The Inchcape importer is spending £3m on a TV advertising campaign to launch the car, which will be sold through

Used cars

The number of used cars bought on credit and other forms of "financed sales" reached its highest level last month and was 31 per cent higher than a year earlier. But similar "financed" sales of new cars rose by much less. reinforcing the claim of dealers that many customers no longer consider that new care offer value for money.
Figures to be published this

week by HPI-Equifax, the motor trade statistics organisation, show used cars bought on credit totalling 126,180 last month compared with 96.371 a vear earlier.

The number of new cars bought on credit last month, 95,697, represented a 16.6 per cent rise on the previous April. Sales of new cars on credit were 1.9 per cent down in the first quarter.

a network of around 100 dealers. The Neon will be the first Chrysler-badged vehicle sold in Britain for nearly 20 years.

The company said at the weekend it expects to sell 1,500 Neons during the rest of this year, rising to 3,000 in 1997. "However, if demand for the car really takes off, we'll have no problem meeting it", said a company spokesman. The Belvidere plant has the capacity to build 330,000 Neons a year in both left- and right-hand drive forms. The car is also being built in Mexico and Venezuela. so that "there are no problems of availability," added the Chrysler spokesman. "I don't know of any north American carmaker afraid of volumes."

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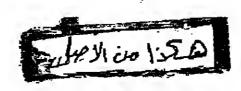
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Chrys reut MADEIRA Portugal's idyllic Atlantic province is Chrys reut MADEIRA MADEIRA Ocean outpost aims for the mainstream Portugal's idyllic Atlantic province is

Atlantic province is trying to transform itself into an attractive focus for international investors, write David White and **Peter Wise**

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ssociations with the past and an air of oid-fash-ioned gentility are still part of what Madeira trades on as a tourist destination, with its equable sub-tropical climate, lush mountains and lack of rowdy beaches.

But, out in the Atlantic. nearer Africa than Europe, no longer a stopover on great trade routes. Madeira today is intent on promoting a less languid and more forward-looking

Many in Portugal's southerly island outpost would be happy to see it written about for once without the rontine references to Winston Churchill, wintering aristocrats or the British merchant families who used to dominate its economy. It wants to be a business centre, with new service and industrial activities capable of creating the jobs that tourism and cottage industries cannot provide.

Madeira, an archipelago with two inhabited islands and a population of around 250,000, remains a poor place visited by the well-to-do. There are many more Madeirans, or children of Madeirans, in South Africa and Venezuela than in the islands themselves. Per capita income is less than half the European

For two decades, it has been an autonomous-region of Por-tugal, entitled to use the taxes it collects and run its own services except for police and justice, and for the past decade, with Portugal, part of the EU. The combination of self-gov-



KEY FAC	12
The same of the sa	741 sq km
Population:	,
Population:	autonomous region of Portugal
Language:	Portuguese
Currency:	Portuguese escudo
Location: 978km southwest of L	isbon.600km west of Morocco
Regional president:	Alberto Joan Jardim
Ruling party:Social	Democratic Party (centre right)
Ruling party: Social So	Fa.258.89bn
Growth rate 1995:	3 4%
Regional debt end-1995:	
Unemployment end-1995:	5 2%

money - twice the islands' proportional share of EU aid to Portugal - has brought new and better roads, water snpplies and dramatic improvements in education and other services, Inland areas, now less inaccessible, are dotted with one of Europe's longest-lasting health clinics. According to the regional government, illiteracy has fallen from 15 per cent five years ago to about 10 per cent and should disappear by 2004.

Madeira is set to receive Es220bn (\$1.4bn) in EU support funds in the 1995-99 period, more than twice as much as in the previous five years. This includes backing for a \$500m airport extension project (building anything horizontal is a challenge in Madeira) which promises to ease its great transport-cost handicap. Growth has consistently

been higher than in the rest of Portugal or the EU as a whole, at an average of more than 4 per cent in the last five years, avoiding the recession of 1993, and promising to exceed 6 per cent this year.

A combination of progress ernment and a stream of EU. and home grown conservatism has placed the regional president, Mr Alberto João Jardim, in a virtually impregnable position. His forceful personality has done much to keep Madeira - or put it - on the map. In office since 1978, he is

elected leaders. Portugal's centre-right Social Democratic Party (PSD), in Public works

have become a much bigger sector of the economy

which he figures prominently, lost power nationally to the Socialists last year and has surrendered ground on Fun-chal, the island capital where half the population live. But in rural Madeira political loyalties are as strongly entrenched as the farm plots cut into the steep mountainside. Mr Jardim is set to stand again in October – for the last time, he vows –



and doubtless be re-elected, as be has been the last four times. However, the regional government's approach to development does not go uncontested. Critics on the left and right argue that almost all the growth has come from public spending, fed by aid and the accumulation of a Es130bn regional debt, and that the record for creating austainable

imployment is poor.

Over the last 20 years the share of the economy represented by public works is reckoned to have increased from 5 to 12 per cent, while that of manufacturing has declined. An industrial free zone and a science and technology park are all very well, they say, but several of the main industrial investors have simply shifted location to take advantage of tax breaks. Madeira enjoys a low tobless level of 5 per cent. and large-scale emigration has halted. But problems loom for the new generation of young

"We cannot design the future of Madeira without the public sector," retorts Mr Jardim. "I

am not a Socialist. But understand that the public sector is absolutely necessary to maintain a low unemployment level." He accepts that finding iohs for the better-educated new generation will become "a very difficult social and political problem". Madeira, he says, has had to import unskilled labour for works projects, but does not have enough jobs for

people with degrees.

His axiom is: "We want to sell services". His reasoning is simple. Exporting intelligence is less expensive than, say, baoanas because "you don't pay for space on the boat".

The push for an international business centre owes much to the dynamism of Mr Francisco Costa, chairman of Madeira Development Company (SDM), a venture set up with the regional government as minority shareholder. The project covers the industrial free zone, a shipping register and the establishment of financial and other services. Licences started being issued eight years ago. Thirty industrial ventures are either operating or in the process of being set up, creating more than 1,000 jobs, and almost as many in the services sector. Altogether, more than 1,800 companies have registered.

Young graduates can find international opportunities that 10 years ago were not available," says Mr Costa. Although Madeira has gone

It is feared that more EU aid could be channelled eastwards

into direct competition with major offsbore centres, emphasis is placed on the fact that all companies in the international business centre have EU resident status and are fully within the Portuguese legal system. The favourable tax conditions, authorised by the European Commission as a form of state aid from Lisbon. are due for review by Brussels

to 2000. Mr Costa says the special conditions are a prerequisite for overcoming Madeira's backwardness. He says that they will need to be continued not only beyond 2000 but certainly beyond 2011, when the

current tax regime expires. For all its remarkable vegetation, in a landscape that enthralled Victorian artists. Madeira's natural resources are very limited. Its most famous product is a wine that was trendy in the 18th century but is produced in quite small quantities most of which is sold cheaply to bulk buyers. The rest, like the embroidery which occupies as many as 30.000 islanders, is bought mostly by tourists. The banana business, protected during the initial EU transition phase, is in trouble, and attempts at agricultural diversification have proved impractical. Tourism, although growing, is also limited. With only one proper

pete with the Canary Islands even if it wanted "We have no doubts - jobs

beach, on the island of Porto

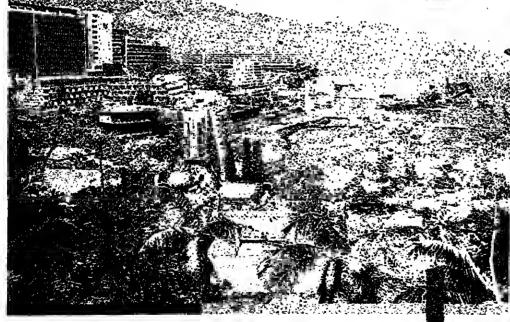
Santo, Madeira could not com-

will be the battle for the future," says Mr Paulo Fontes, the regional government's finance chief. All plans are pegged to the hope that EU support will continue beyond the present framework pack-age. "Madeira does not have the resources to generate its own economic development. The support cannot stop in

1999," he says. With Portugal in the throes of a political argument over plans for limited regional devolution on the mainland, Madeira and the other island group, the Azores, face the prospect of increased competition from other needy mainland regions.

The bigger question, however, is the impact on Portugal of the EU's expansion to eastern Europe. "The EU must ensure that peripheral regions do not suffer as a result of opening to the east," Mr Jar dlm insists. For all the advances and new projects of recent years, nobody in Madeira would say it was anywhere near ready to forgo significant EU assistance.





For further information on - The Industrial Free Trade Zone - The Financial Centre - International Services - International Shipping Register

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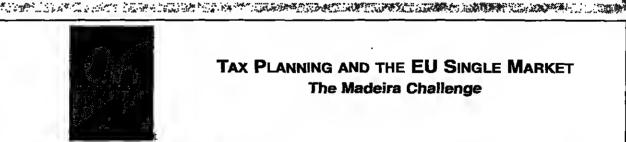
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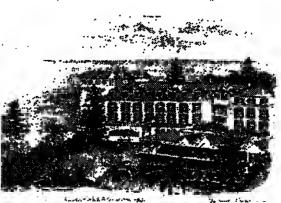
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In the empire of Europe

Aid from Brussels is vital but is not the only factor in safeguarding Madeira's future

In the main square of Funchal, children wearing German lederhosen, Spanish mantillas and British bowiers are spending cardhoard euros as they playing et shopping games. It is Europe Day in Madeira and the mood is as co as if it were in the centre of

Since Portugal joined the Common Market in 1986, the mood in Madeira has been transformed hoth outwardly and inwardiy. EU funds are oarrowing the economic gap between the island and Europe and at the same time strengthening the aspirations for the

future. Madeire is eveo moving physically closer to continental Europe - a \$500m EU-financed airport runway extension, built on pillars out into the Atlantic. will allow larger aircraft to land from 1999. It will shorten flying times and pave the way for scheduled flights from Europe and the US. New roads and port facilities are also cutting cargo transport times and

"My country is Europe." proclaims a sign outside the office of Mr Alherto João Jardim, whose election victories over a period of 20 years as head of the regional government owe a good deal to his success in negotiating large transfers of EU funds. It is an apt motto for 8 leader whose government receives the equivalent of a quarter of its total expenditure from Europe. Brussels will channel

Es220bn (\$1.4hn) into Madeira from 1994 to 1999, having already transferred Es91hn over the previous six years. This represents almost Es150,000 per capita s year, sbout three times the level of per capita aid for Portugal as a whole. The high level of aid has hred a dependency that helps explain the apprehension readily discernible beneath Madeira's fervent commitment

to Europe.

The big question is for how much longer will the EU aid continue to flow? When the



Madeirans learn to play their cards right

current funding programme expires in 1999, the EU will be expanding eastwards. Aid priorities in Brussels will have changed and competition for funds will be intense. Any sharp slow down in transfers to Madeira would threaten iobs, which are heavily concentrated in the public sector, and ehruptly stop the catching-up

"What exactly will happeo after 1999 is not yet clear. says Mr Paulo Fontes, the finance secretary in the regional government, but we are confident of the EU's continued support. Cutting back aid would interrupt a cycle of economic development that is essentlel for Medeira to achieve a standard of living on 8 par with the rest of Europe."

Unemplo	yment c	hanges	(per	cent o	f labou	r force)
		1986		1990	199	95
Madeira		9.0		5.9	5.	
Mainland		8.4		4.7	6.	9*
EU average	verage 10.7			8.4	11.	6†
third quarter of 19	95. † provision	nel				
	R	EAL GE	P GR	OWTH		
	1991	1992	1993	1994	1995	1996
Medeira	5.0	5.1	4.6	2.1	3.4	6.7
Portugal	2.2	1.5	-1.0	1.1	3.0	3.2
	1.5	1.1	-0.3	1.6	2.5	3.1
	1,0		-			
				1.6	2.5	3.1
EU		LATION		MARK		Source (

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goal at a rapid pace. Gross domestic product growth, forecast to climh from 3.4 per cent in 1995 to 6.7 per cent this year, has heeo consistently higher than in Portugal and the EU as a whole. Since 1976, GDP per capita has risen from 24 to 45 per cent of the European average and from 40 to 70 per cent of that in mainland Portugal.

Mr Jardim, pointing out that the average GDP per capita of eastero Europe is today only 26 per cent of the EU average, is keenly aware of the tough competition for EU aid. But he is confident oot only that the European Commission will approve a third six-year aid package that covers the island but that permanent sopport for the so-cailed uitra-peripheral regions such as Madeira will be written into a revised European Treaty.
"Outlying regions such as

ours cannot be allowed to suffer as result of the EU's expansion to the east," he says.
"There will be problems if the benefits of enlargement in terms of new markets and husiness opportunities accrue only to the most developed countries. That would destroy the idea of social cohesion that is the essence of the EU." It is an argument likely to be made with increasing vehemence over the next three years. The importance of EU funds

is most evident in the public works sector, where invest-ment in new infrastructures has created most of the new jobs that have kept the unempioyment rate, currently about 5.2 per cent, at less than half the European average over the past five years. Construction and public works account for about 12 per cent of both GDP and employment in Madeira. Public administration and social services, including health and education, which have expanded rapidly due to EU aid, account for a similar share of the economy.

Critics of the regional government believe that industry. particularly private enterprise, has been overlooked in this concentration of spending on the public sector. "All economies that engage in big public infrastructure programmes without a corresponding investment in productive activ-

Value of 4th	quarter	GDP	(in Esc.	milfions and	percen	rtages)
Sector	1981	(%)		199	21 (%)	
Acriculture/fishing	11.345	19		11.5	52 13	
Mining	.577	1		1.03	35 1	
Manufacturing	6.331	14		6.70	52 8	
Power, gas, water	2.274	4		4.52	21 5	
Building and public works	8.556			12.37	73 14	
Commerce, restaurants, hotels	11,939			15.61	18	
Transport, communications	4,734	8		9.00	33 10	
Banks, insurance, property	2.227			10.80	3 12	
Social, personal services	9.827	-		17.25	19	
TOTAL	59.853	100%		88.71		
					Source	e Regional Planning Directo

ities eod up facing serious economic and social problems," says one businessman. But the regional government replies thet a third of EU funds have been channelled to private-secior companies.

The johs created in the puhlic sector would be those most under threat if the funds stopped flowing. But Madeira's recent development has also had a deepar, less tangihle affect with far-reaching implications for the future. As living standards improve, far fewer Madeirans want to leave and emigration, for long the only hope of enrichment for most islanders, has virtually come in a halt.

At the same time, improvements in education are producing school-leavers and university graduates with hetter skills and qualifications - and much bigger ambitlons. "l meet our university students every year and I'm totally frank," says Mr Jardim. "I tell them there won't be jobs for them all in Madeira, hut they all want to stay."

The island's higgest challenge is "the battle for jobs," says Mr Fontes. "Our goal is to create hetween 17,000 and 20,000 oew jobs by 2005." Not only more jobs, hut better jobs for young people with higher qualifications and aspirations. Madeira's traditional sources

of employment offer limited scope for creating such jobs. The growth of tourism, which accounts for about 18 per cent of GDP and 9 per cent of employment, is helog restricted to preserve quality. The regional government plans to limit the increase of the isiand's 17,000 hotel heds to ebout 20,000 over the next four years. And, as Mr Fontes says: Even doubling the oumber of heds would oot double the number of jobs in tourism." Employment in agriculture

is on the decline. It currently absorbs about 20 per cent of the active population but contrihutes only 13 per cent of GDP, down from 27 per cent in 1976. The authorities are trying to ensure that fewer farmers will produce more hy focusing on high value crops such as flowers and exotic fruits.

The potential for manufacturing is limited by the small size of the local market and the handicap of transportation costs. The industrial free trade zone is ettracting a number of foreign manufacturers and the services huh and offshore financial centre of the International Business Centre have

also brought a fresh source of employment to Madeira over the past decade. But their con-tribution to the more than 17,000 jobs the regional government plans to create will be relatively limited.

Where, then, will the jobs come from? The government believes the answer lies in adapting Madeira's long established vocation for services to the 21st century. "Business today depends less and less on the physical transportation of goods," says Mr Fontea. "Madeira can take advantage of its location, attractive environment and modern telecommunications to act as platform for a wide range of business, financial and technical services whose essential ingredi-

ent is creativity and imagina-The IBC is one of tha main elements in this strategy. together with a new congress centre and a science and technology park, that is to focus on telecommunications, astronomy, marine biology and the environmant.

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Mr Jardim paints his vision of a new Madeira in forthright style. Saying the future depends on "personal creative ity", he adds: "We want to sell." services. It's more expensive to export bananas than to export intelligence, because you don't pay for space on the boat."

III TOURISM: by David White

Numbers are limited

Tourism is mainly middle-aged, but the high summer also brings a younger crowd

Just in case Madeira should forget where its main income comes from, a small corner of Funchal has been haptised Praça do Turista, or Tourist Square, a prosaic contrast with the quainter and sometimes unfathomable street-names of the island's capital.

This western side of Funchal contains its six five-star hotels which give the city its flavour as a resort.

"We've huilt ourselves into a niche market," says Mr Dionisio ("Denis") Pestana, a South African-educated businessmen. son of an emigrant from Madeira, who has huild up what is now the higgest Portuguese hotel chain, with interests on the mainland and in Mozambique.

His base at the Madetra Carlton, formerly the Sheraton, looks across at the tone-setting Reid's Hotel and its cliffside gardens. The tourist authorities insist there is more to Madeira than that, but are in no doubt that they are "principally selling quality".

Madeira is trying to diversify its tourism but does not see itself as a mass market. Although it can claim to be one of the oldest tourist destinations, the main island did not have an airport until 1964, and in the tourist boom that followed found it could not compete with the beach resorts of the Mediterranean, the Algarve or the Canaries. "Maybe it's 8 good thing," muses Mr Pestana. The extent of the regional

goveroment's ambitions is to increase the number of hotel beds from around 17,000 at present to 20,000 at the end of the century. This would still be only 5 per cent of the tourist beds currently evailable in the Canary Islands, Madelra's nearest neighbours 400km away.

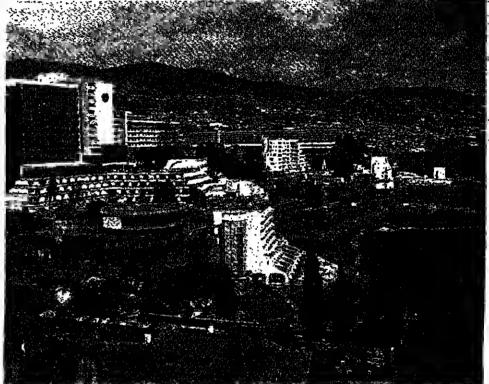
Even when the hotels are full and a cruise ship is in port, Funchal is hardiv teeming. On the other hand, having started as a winter destination. Madeira enjoys e year-round tourist trade, with the exception of slack periods before and after Christmas.

It is the kind of place where oothing untoward is likely to happen. By the windows of the regional president's residence, tourists are free to wander round in the gardens. There are a few pubs, but no bakedbeans-and-chips restaurants. And the Spanish honeymooners who said they were really keen on night-life had ohviously come to the wrong place.

Mr Pestana does intend, however, to liven up the morguelike atmosphere of the casino. taking advantage of new gambling laws and creating "a place where you lose your money but at least have a good time'

The handlcaps of Madeira are transport costs, shortage of heaches. The main island, dizzily mountainous and lush, has only one natural beach, on the eastern side, and that has black sand. The real heach. 9km of it, is on the other inhabited Island, Porto Santo, 15 minutes away hy air or an hour and a half hy boat. A big cffort is being made to

compensate by promoting all kinds of water-sports. But the truth is that in Funchal, where three-quarters of the hotel accommodation is located.



Funchal and its high class hotels: quality rather than a mass market

serve of the five-star hotels. Tourism is predominantly middle-aged, taking advantage of a climate that is warmer in winter than the Mediterranean and cooler in summer. although the high summer also brings a younger crowd. It has also always been predominantly British - up to now. But last year German visitors took top place for the first

waterfront access is the pre- begin taking advantage of the "If they don't have beds to sell. we won't have this risk," she

> says. The nature of tourism, however, is already shifting with the decline in the relative importance of British custom. German and Scandinavian visttors are less inclined to lounge around their hotels, keener to

Tourism by country	of origin and	hotel nights (%)
	1995	1994
Germany	27.9	24.8
UK	24.9	25.9
Portugal	12.4	14.2
Sweden	5.2	5.5
France	4.5	3.7
Holland	3.3	2.7
Belgium	3.1	3.0
Spain	2.4	4.3
Others	16.3	15.9
Total overnight visitors	530,441 (+13	8) 466,040

good market among the Freoch, Swedish, Dutch and Belgians. But Germans, mainland Portuguese and British last year made up 64 per cent of all holidaymakers.

Hotel receipts (escudo

A new dimension will come to the tourist trade with the extension of the airport, a \$500m project due to be finished in 1999, opening the way for wide-bodied and long-haul aircraft. This not only promises competitive charter rates but also new markets: the US, and also Latin America and South Africa, where there are large Madeiran emigrant communities.

This means there is only a short time left to appreclate the original Funchal airport experience. A starboard window seat is a good vantage point. The aircraft flies well off the coast, as if going some sharply in the right. At this point you are flying straight into a lush, green, craggy. cloud-topped mountainside. At the last moment the aircraft makes another sharp right turo to sneak in on the run-WBy.

It is oo wonder that, having landed safely, people tend to stay awhile, many of them for three or for months at a time. The danger of Madeira slipping to a more down-market image ooce the tour operators

Madeira tourism deparment. calm destination".

	Source I	Regional Tourism Department
	3.97m (+15.1%) 27.80bn (+18)	3.44m 23.57bn
_	530,441 (+13.8)	466,040
	16.3	15.9
	2.4	4.3
	3.1	3.0
	3.3	2.7
	4.5	3.7
	5.2	5.5
	12.4	14.2
	24.9	25.9
	27.9	24.8

Island, which is two-thirds national park. Walking tours are increasingly popular, with routes foilowing the "levadas" or irrigatioo channels dug joto the steep slopes. Hotels now pro-

mote the "levadawalk". At the same time, Porto Santo is being developed as a "complement" to the main island. Although lt, too, is of volcanic origin, it is very different, drier and less mountaloous, with a good airport that has twice-weekly direct scheduled connections with Lisbon. Many Madeirans go in

summer, but it has fewer than new airport is ruled out by Ms 1,000 beds, and Ms Telo says Maria Luisa Telo at the the aim is to maintain it as "a

The range of activities has expanded with the development of big-game fishing in the deep waters surrounding Madeira - it has become a centre for marlin fishing - and a second, spectacular 18-hole golf course. Palheiro Golf, at an altitude of 600m above Funchal, which is linked with six associated hotels.

A hig emphasis is also being placed on developing tourism outside the immediate region of Funchal - a place which has its charms, especially at this time of year with the jacaranda trees in blossom - but which is on a particularly crowded strip of coast. Country houses are being converted into hotels and hed-and-hreakfasts, going back to the origins of Madeira tourism when families would rent quintas.

Most of the island remains iargely unspoilt. Roads for getting around - and around is the operative word - have improved, but it is challenging geography for road-huilders. Minor backroads in the dark are probably not recommended for drivers of a nervous disposition. On the other hand, the variety of vegetation, scenery and climatic conditions is prodigious.

Take, for instance, the northern coast roed, cut into the cliff, which runs westwards from the well-preserved town of São Vicente to windswept Porto Mooiz. When it rains enough, this means driving through waterfalls. There are not many places you can do

and venture capital.

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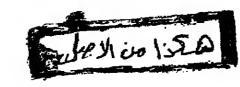
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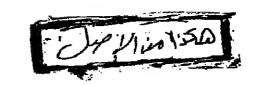
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MADEIRA THE GATEWAY TO EUROP FINTERNATIONALLY RENOWNED AS BEING ONE OF THE MOST SPOF INWARD INVESTMENT INTO THE EUROPEAN UNION. NT ROUTES POF ENWARD INVESTMENT ENTO THE EUROPEAN UNION. E MADERIA'S LEADING MANAGEMENT COMPANY WITH IN-HOUSE LAWYST COCUMTAINT AND INVITE ENQUIRES FROM PROFESSIONALS INTERESTED I E OF MADERIA FOR INTERCATIONAL TAX PLANNING TO SENSETT FROM I ANGRET TAX EXEMPTIONS AND POSTUCAL'S DOUBLE TAXATION TREATIES ENGINE ENGLISHED OF MADERIA TO THE CONTROL OF TAXATION TREATIES OF MADERIA TO THE CONTROL OF TAXATION TO THE CONTROL OF TAXATION OF TAX AC CONTRACTOR OF THE CONTRACTO





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LAWYERS FOR BUSINESS

FINANCIAL TIMES

COMPANIES & MARKETS

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Facia investor devalues stake

By Norma Cohen in London

Murray Johnstone, the Glasgow-based inveetment management company which has a 12.5 per cent stake in Facia, the UK high street retailing chain, has written down the value of its investment to "near zero" in the

Murray Johnstone, which holds most of its investment in an unquoted offsbore trust, Murray Johnstone LBO Fund LP, purchased shares from the administrators of Sock Shop in

Its Murray Ventures investment trust also holds a stake and the fund manager has generally followed conservative accounting treatment for its unquoted investments.

It has a director on the board of Facia, the UK's second largest privately beld retailer, but its convertible preference shares give it no

voting rights. The investment manager is understood in be keen to sell its stake for cash if Facia is successful in attracting an investor in the company. Facia's management is in talks with Texas American Group, a small Nasdaq-quoted US company, about a reverse takeover which would result in a cash injection.

Facia said it had no casb flow problem currently but it was seeking capital to pay for refurbishment of its bigb street shops which include brand names such as Sock Shop, Freeman Hardy Willis and Saxone, the shoe shops.

However, its lenders, United Mizrahi Bank, are understood to have told the company that they must find a new bank when the current loan facility expires at the end of this

cash have been hampered by its failure to file a single set of audited accounts at Companies House since its formation in

It bas been given a new deadline of July 1 to provide accounts or face a fine.

Mr Stephen Hinchliffe and Mr Christopher Harrison, two directors, face disqualification by the Department of Trade and Industry in connection with the collapse of a company they had controlled shortly Hyundai Motor opens door to alliances

Analysts expect turmoil and volatility to remain a feature of the LME for the next two months

Tuesday May 28 1996

Mr Mong-Gyu Chung, the new chairman of Hyundai Motor,

who took over from his father in January, cited Hyundai's recent decision to negotiate to buy diesel engines from Peugeot of France as a sign of the change in thinking, "I think this is the initial

step," he said. "We don't just

want deeper relations with other manufacturers...I think we're going to continue this." The engines will be used in Hyundal'e mid-sized passenger car, called the Lantra in Europe, the Avante in Korea and Elantra in North America. The diesel version will be sold primarily in Europe, where demand for diesels is highest.

sales by 10 per cent to 15 per

ceived to have such a beavy demand for copper for and Mr Charlie Vincent, tha

As is often the case, the mar-

ket speculation about Mr

Hamanaka was only partly cor-

rect. Sumitomo did confirm he

was changing his job. Whereas previously be was in charge of

copper trading, his role had been widened and he had

become assistant to the non-

ferrous metals division's gen-

eral manager. From now on he

would handle big metal pro-

jects. This does mean, how-

ever, that Mr Hamanaka will

no longer supervise Sumi-

tomo's day-to-day copper

Mr Hamanaka insisted there

His powerful position in the

copper market flows from the

fact that Sumitomo is one of

the world's leading traders of physical copper, handling

500,000-750,000 tonnes a year

for clients, mainly in Asia but

many other Japanese corpora-tions, Sumitomo is forbidden to

speculate in commodities mar-

kets. Nevertheless, it does

hedge its copper market deal-

ings by trading futures and options along with buying cop-

per for immediate delivery. In

this way, it exerts a tremen-

dous influence on the market.

Other traders say Mr Haman-aka rarely winds up on the

wrong end of a deal and he has

consistently made large profits

would be no change in his group's trading policy.

operations.

great influence on such essentials as electric wire global copper trading that and pipe for plumbing.

Bulls and bears battle it out

in copper's squeezed market

Hyundai'e apparent readiness to open the door to greater co-operation with other car companies comes as Korea'e carmakers brace themselves for the debut in early

group.
The Korean motor industry is also concerned about what it claims is the accelerating penetration of imported luxury

Mr Chung said Hyundai had just signed an agreement with Mitsubishi of Japan for a feasi-bility study into the joint development of new types of cars which were complemen-

Mitsubishi would also work together to develop a successor to their Grandeur and Debonair luxury models as well

sive commissions" and other

allegedly improper payments

and suggests that more writs will follow against brokers in

London, New York and else-

where. Sogemin says it will

China's biggest organisation, Citic, also suffered substantial

trading losses in 1993 and for a

time refused to pay its debts of

with 14 LME brokers followed

before Citic paid up. In the present squeeze,

which as in 1993 partly involves LME stocks of physi-

cal copper being tightly held

by a few organisations with

deep pockets, traders suggest that US hedge funds are on the

receiving end. Some say Mr

George Soros's Quantum fund

is short of 100,000 tonnes of

copper but, as usual, the fund

refuses to discuss market spec-

The battle between copper

bulls and bears - which last

price drop by \$100 a tonne in early LME trading, only to

regain all the lost ground by

the end of the day - is made

more complex by the squeeze

which is forcing buyers to pay

a premium for copper for

immediate delivery. This pre-

mium, or backwardation,

between spot copper and metal

for delivery in three months, ranged between \$10 and \$130 a

The LME executive carefully

monitors its markets via confi-

tonne last week.

ulation about its activities.

these allegations.

fend itself vigorously against

quality.

"Quality at the moment is Mr Chung, who at 34 is one of the youngest family members to take over part of a leading Korean chaebol (conglomerexterior styling had improved considerably, further steps were necessary on chassis, engines and transmissions to

produce "world class" vehicles,

had increased spending on

research and development to

improve the noise, vibration and barshness of its cars - the

three key ride and passenger

Mr Chung said the company

he said.

ate), said he was "not in a hurry" to strike co-operative deals. He said he was still settling into the chairman's job and would only start getting to know top executives from other big carmakers later this

Apart from greater collaboration and epecialisation, Mr Chung said Hyundai Motor's INSIDE

Hollinger

Hollinger, the publishing group controlled by Mr Conrad Black, is poised to shake up Ganada's newspaper industry after a series of acquisitions culminating in the purchase of a controlling 41 per cent stake in Southam, the country's biggest newspaper chain

Halifax

The UK's Hallfax Building Society, which plans to float next year, is expected to aunounce this week that it has appointed the Royal Bank of Scotland to run its share register. The deal would put the Royal Bank, which is the UK's second largest share registrar, in charge of the largest single extension of share ownership in Britain. Page 24



minister from 1988 to 1994, is idming the strategy" board of

brokerage house. Mr Aspe is Mr Robert McNamara, the former US defeace secretary, and Mr Wilfried Thatwitz, former senior vice president at the World:

Fund Management ...

Page 28

After two years in which hedge funds performance has disappointed, the tide seems to have turned in 1996. The Van Global Hedge Fund index rose 9.3 per cent in the first four months of the year, outstripping the 7 per cant achieved by the S&P 500 index. "April was an explosive month for bedge funds worldwide," said Mr George Van. chairman of Van Hedge Fund Advisers.

Page 28

S Korean group wants greater co-operation with other carmakers main priority was to improve

said South Korea's biggest carmaker needed to act less independently in order to strike alliances with other vehicle producers to develop new mod-In an interview, Mr Chung,

speculation that be was to

leave his job at Sumitomo Cor-

poration in Japan helped trig-

ger big sales of the metal on the London Metal Exchange.

It was said Sumitomo had

become tired of being men-

tioned every time something

untoward bappened in the

LME's flagship copper market

and that the Jepanese group in

future would concentrate

aolely on trading physical

metal. The prospect of Sumi-

tomo unwinding all its futures

contracts contributed to the

panic in the market last week.

factors that made the market nervous and sparked an unprecedented 15 per cent fall

in the copper price in four trad-

ing days. Not the least was the

fact that most analysis expect a big surplus of copper, the

most heavily traded non-fer-

rous metal, to start building in

This should push stocks up

expect volatility and turnoil to

remain a feature of the copper

market at least until the end of July because it remains in the

grip of a ferocious technical

In spite of looming surpluses,

prices have remained at a level

where producers can make

good profits. Prices have been

buoyed by strong demand, par-

ticularly from developing coun-

tries. During their develop-

analysts

and prices down.

Nevertheleas,

There were, of course, other

extremely unpopular in Korea, could lift Hyundai's European

1998 of Samsung Motors, the vehicles subsidiary of the powerful electronics and trading

owners of Winchester Com-

modity Group, a broker Sumi-tomo used for its copper deal-

ings in London until recently,

each collected £15m (\$22.5m) in

position in the copper trade

became particularly apparent

during a technical squeeze on

the LME in 1993. At the time,

ba admitted Sumitomo had

control of a great deal of the

exchange's copper stocks but denied any manipulation was

going on, Sumitomo, ba

pointed out, had to guarantee a

smooth supply of metal to its customers with a type of just-

in-time system designed to minimise stocks and risks, regardless of price or supply

disruptions. His group bad

been buying copper because it

had received some large orders

Nevertheless, after the 1993

squeeze, Credit Lyonnais

Rouse, part of the French

LME clearing broker for Sumi-tomo, among other clients,

apologised for its part in the

squeeze and paid £100,000

The copper business is still suffering from the repercus-

sions of that squeeze. Codelco

of Chile, the world's biggest

copper producer, suffered trad-

ing losses of about \$170m. While Codelco admits that

management failed to auper-

vise its chief trader properly,

towards the LME'e costs.

from big customers.

Mr Hamanaka'a powerful

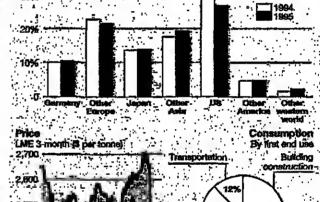
pay and bomises for 1994.

tary to the two manufacturers' existing ranges. Hyundai retains close links with Mitsubishi, which helped to provide its carmaking technology.

Mr Chung said Hyundai and

Striking the right price





kers. It has taken steps to relieve some of the impact of the copper squeeze and has vir-tually unlimited power to take action to ensure its markets

But orderly does not neces-

sarily mean short of volatility.

remain "orderly".

And volatility is likely to be a feature of the copper market until stocks have been built up to more comfortable levels and look certain to go on rising for

Kenneth Gooding

for Sumitomo. How much he made can only be guessed at. the group is euing Sogemin, part of Union Minière of Beldential reports supplied by bro-UK water group braced for £1.5bn offer

By Simon Holberton and Motoko Rich in London

A £1.5bn-£2bn (\$2.28bn-\$3.04bn) bid for Southern Water is expected this week after takeover talks between the UK water utility and its two euitors broke up yesterday without a suitable offer.

Scottish Power, the Scottish electricity ntility, and Southern Electric, the regional electricity company (rec), yes-terday made their respective pitches to Mr William Courtney, Sonthern Water's chairman, and Mr Martin Webster, managing director.

STATISTICS

Base lending rates

LTCB

Ladbroke Group

FT/S&P-A World indicate

Last night the company indi-ated there was "no bankable will be opened to competition. cated there was "no bankable offer on the table".

Both Southern Electric and Scottish Power had extensive meetings with Southern Water at the offices of Goldman Sachs, its financial adviser, in the City. Barings is advising Scottish Power and BZW is advising Southern Electric. Sonthern Electric's formal

position yesterday was that it would not confirm or deny its discussions with Southern Water. But a merger of its business with Sonthern Water would make strategic sense. In 1998 the electricity supply

London share service

New int bond issues

Whitterd of Chelses

Yamanouchi Pharm

Yasuda T&B

Managed fund service .

There is only a small overlap in the territory covered by the two companies.

Scottish Power has £1.5bn in credit facilities to fund its bid. It did not rule out launching a bid today but emphasised "we want agreement, we want a recommendation from

Southern Water's shares closed 6p higher et 681p on Friday. A bid of £1.5bn would value each share at 839p, while one of £2bn would value the Scottish Power last year

acquired Manweb with a £1.1hn bid for the rec. This gave it a foothold in the electricity enpply business in England and Wales.

The acquisition of Southern Water would extend its reach to a further 1.7m water and sewage customers in the south of England and add an important element to its plan to become a "multi-utility".

Mr Ian Robinson, Scottish Power'e chief executive, said: "Our strategy has been to be a multi-utility. We think water is an integral part of a multi-utility offer." He said Southern Water was the right size and

"It is not only a water company but within their territory we can competitively supply electricity and gas. We will put a few shops in the territory to put our brand name out there. We can also take Southern Water's expertise in sewerage and put it into Scotland."

A bid of £1.5bn would cause

Scottish Power's gearing to top cent at March 31. For Southern Electric's part, it has very low gearing and a combined entity could probably support the debt needed to fund a merger. Lex, Page 22

Zoloto to raise \$60m on Aim for Russian gold mine

By Kenneth Gooding, Mining Correspondent

Zoloto Mining, a UK company, is to raise about \$60m on the London Stock Exchange'e Alternative Investment Market to develop a gold mine in the Amur Region in the far east of

This will be the biggest sum

management and equipment, except for the mining vehicle Mr Hambro said this would

reduce the capital cost of the

project from \$98.3m to \$61.7m and lift the projected internal

to transport equipment from the US. Also, Mr Hambro esti-mated it cost about \$250,000 a year to keep an ex-patriot employee in Russia. "And many of the best people can choose where they want to work and it is difficult to persuade someone to move to an area where the temperature

and minus 40 degrees." Conversely, there is great enthusiasm among Russian employees who will go to the US to be trained by Homestake Mining, which is one of the biggest North American gold producers and owns 14.5 per cent of Zoloto.

Mr Hambro said the plan now called for a two-stage capital programme, the first costing \$47m and a second, seven years later, that would double output at e cost of \$14m. Mining an open pit is sched uled to start in the second half of 1998. In the first year. Pokrovskoye is projected to produce 106,000 troy ounces of

gold at an operating cost (including royalties) of \$120 an

Mr Hambro euggested in order to use the expected strong cash flow to pay back investors in a tax-efficient way, the Aim issue was likely to be split between equity and loan capital in the form of redeemable/convertible loan stock or redeemable/convertible prefer-

Mr Hambro said the issue would be held back until after the Russian presidential elec-tions and until the results of a recent drilling programme were known. At present Pokrovskoye has 1.8m ounces of recoverable gold in its



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COMPANIES IN THIS ISSUE Mitesai T&B ABSA Chubu Electric Chugoku Electric Nippon T&B Chuo T&B Philips Prism Rail Del-Ichi Pharm. Fuji Heavy Hindustan Petroleum Hitachi Zosen Hyundal Motor Toyo T&B United Utilities Kansai Bectric Vocelis Wagon Industrial

Murray Johnston Mutsubishi, T&B Nippon Credit Bank Royal Bk of Scotland Samsung Electronics Scottish Power Shangri-La Asta Southern Water Sumitomo T&B Texas instruments Tokyo Electric Power

yet raised by an Aim company. Mr Peter Hambro, chairman of Zoloto, said Aim was chosen instead of a full London listing because it is cheaper". Zoloto is taking an unusual epproach to the so-called Pokrovskoye project. Originally, it intended to follow a conventional path and use US equipment and operating manage-ment but this made the project scarcely worthwhile. Instead, Pokrovskoye will use Russian

rate of return from 18 per cent to 28 per cent. Initial reductions include the \$8m it would have cost eimply

swings between plus 40 degrees

Halifax Building Society, which plans to float next year, is expected to announce this week that it has appointed the Royal Bank of Scotland to run

its share register.
The deal would put the Royal Bank, which is the UK's second largest share registrar, in charge of tha largest single extension of share ownership in Britain.

final contracts this waek specifying the Royal Bank as the registrar for the approximately 9m members who will receive shares in Halifax's flo-

The Royal Bank will be responsible for setting up and maintaining the register and distributing share certificates. The Halifax decided to subits share register because it

has no internal expertise and will have its hands full in the run up to flotation. It considered other registrars, including Lloyds TSB,

the UK's largest, and Abbey lts rivalry with Abbey in the mortgage lending market may have influenced its decision. The Halifax selected its share registrar from a dwindling pool as Barclays Bank stopped operating as a share

The Royal Bank and Lloyds hold more than half the mar-

One of the more important tasks for the Royal Bank will be managing the market immediately after vesting day.

Halifax believes that a reasonable number of its members will want to offload the shares, and it will be concerned not to repeat the administrative

National when it floated in 1989. Abbey was the first building society to convert to a bank and issue free shares to members in return for agreeing to the conversion.

When it floated, a flood of its members sought to sell their stakes and could not all do so as quickly as they wanted. It also issued some customers too many ahares because they had several accounts listed in slightly different names.

Dynacast to build £5m Welsh plant

By Jenny Luesby

Dynacast, the precision engineering subsidlary of Coats Viyella, is to site its first European plastics moulding plant in South Wales, in a £5m greenfield investment that will create 130 jobs within three

The rapidly growing company is one of the 10 largest plastics precision monlders in North America, with 14 plants in Canada, the US and Mexico. It acquired US plastics moulding companies PEC in 1994 and SPM last year, and

bas built three new plastica moulding plants · in North America in the last two years. It specialises in casings for telephone hand-sets and laptop computers, and in car dashboards. It operates in an overcrowded and fragmented sector. But whereas most plastics moulders are tiny and geared towards short runs and low service levels Dynacast hopes to build on its scale and repntation in North America by expanding into Europe. Its American customers include Nortel, Compaq, Epson, Ford,

Motorola. The company considered sites in Spain and France, but was attracted by the assistance offered by the Welsh Development Anthority. It will receive £2m in regional selec-

Hewlett Packard, Intel and

It plans to start construction of the plant at the Cwm Cynon industrial park, near Mountain Asb, in July, with the first production slated for Jan-

tive assistance.

lyst. The question would be whether they can sustain that growth. United helieves it can. Mr Boh Ferguson, group finance director, said: The multi-utility concept and the way we envisage it going forward is the most exciting thing I have experienced to date."
In spite of these figures the

expectations," said one ana-

United Utilities to raise

growth, and to put its critics at benefits of the deal are still being assessed. Although the ease.
This year's results will be keenly watched by the market as they are the first since March announcement pushed the group's share price up on United was formed after North day, it failed to overturn the company's poor performance relative to the sector West Water's £1.8bn takeover of Norweb last November. The dividend, which will since last September.

The company believes that the concept of a multi-utility has been ill-understood by the City, which has failed to give it West's full-year 25.5p dividend credit for the earnings enhanc-

ing nature of the deal.

Mr Robert Miller Bakewell of In March, the group announced merger savings of some £140m a year by the end NatWest Markets, the house of the century, and said thet broker, said it would be understandable if United was disdividend growth in excess of 11 pleased with the market reacper cent a year would be possi-ble, up from an estimated 7 per to lts March tion cent in North West's offer docannouncement. "There will be

pay-out to soothe critics a considerabla desire to pres ument for Norweb. "They are showmen so you would expect them to go for the upper end of ent the results on Thursday in tha most positive light in order to recharge interest in the share price," he said. Mal

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The complications of the merger and the difficulty in making like-for-like comparisons this year have led to vary ing forecasts. Ona analyst described his pre-tax forecast as "not very illuminating", in part because of the uncertainty concerning the treatment of exceptionals, which include a £104m provision for the reorganisation, and gains from some disposals.

The company is expected to announce a pre-tax profit for the year of less than £300m after exceptional items.

The group has forecast strong growth in its non-regulated businesaes. It axpects international expansion to boost earnings at the facilities management division it created by combining the savice departments of North West Water and Norweb after the merger. It is also seeking to expand its international division and has been involved in preliminary talks with Utili-Corp of the US.

BBA to sell carpet arm for £34m

By Peter John

BBA, the transportation services and industrial manufacturing company, is to sell its Duralay, carpet arm for

Duralay makes carpet underlays and accessories for domestic and commercial customers and employs 850 people at sites in Lancashire, County Durham, London and Dumfries. The sale to the subsidiary's management is backed by ist, which has put in £16.5m.

BBA's move continues a process of heavy restructuring Quarta, the chief executive, who has aggressively overhauled BBA since his arrival from BTR three years ago.

Over thet period, the company has cut more than 2,000 iobs and sold businesses with combined sales of about

Wagon makes £4m acquisition

Wagon Industrial Holdings has bought NC Brown (Storage Equipment) for a total of

The payment will be satisfied by the issue of 371,000 Wagon shares and £2.5m in cash. The vendors have agreed to retain the shares for at least 12

Wagon has also entered into a contract to sell the business of Wefco Group, which makes tanks and pressure vessels, to Zarmax for £1.5m.

Whittard of Chelsea brews up £20m float on Aim sale. Mr Hobbouse, who mas-

By Christopher Brown-Humes

Whittard of Chelsea is expected to announce plans to float on the Alternative Investment Market today, valuing the upmarket tea and coffee retailer at about £20m and raising up to £3m for expansion. Mr Will Hohbouse, managing

director, says the group wants to donble the size of its 79strong UK shop network over the next five years while continuing its growth overseas. particularly in Asia.

"We would like to be a category killer in quality tea and coffee, mugs and teapots," he

The venture capitalists, led by Granville Private Equity Managers, who backed Whittard with £500,000 in 1988 will get an exit and £6m from the

terminded the rapid growth on Tie Rack in the mid-1980s, and Mr David Gyle-Thompson, chairman, will each retain about a third of the company.

Whittard, founded in 1886, only had three London stores before it began a rapid expansion in the late 1980s. It now has 58 shops outside London, stretching from Exeter to Edinburgh, 21 in the capital, and a presence in Japan, Taiwan, France, and Poland. In a sector dominated by Twinings, the company estimates it has about 14 per cent of the UK

Profits of £2m were generated on sales of £18.5m in the 10 months to March 24 1996. Both sales and sbop numbers



Will Hobbouse: plans to double UK shop network

Independent Energy to raise £3m from placing

By Patrick Harverson

Independent Energy Holdings, a company which sells electricity direct to business users will announce plans for Its introduction to the Alterative Investment Market

IEH will raise £3m from the placing of 3m shares at 100p each, and dealings are expected to start on Friday. The sbares sold this week will represent about 23 per cent of the issued capital, and

after its admission to Aim the

company will be capitalised

at about £13m. The majority of IEH Is owned by a group of wealthy businessmen in North America

and the UK. The company currently sells power from the national electricity "pool" to 15 husiness customers but it plans to begin selling its own gas-fired electricity this summer when the first of 11 licensed generators begins operating.

It will get the gas from small "stranded" gas fields that have been discarded by larger companies because they were

Vocalis heads for market

Vocalis, the speech recognition and call processing specialist, is to float on the London Stock Exchange in a placing that should raise £5m.

The group, which plans to use the funds raised to expand its sales and marketing activities, should achieve a flotation value of about £25m. Directors, who now own 43 per cent of the company, are expected to hold 30 per cent following the placing, Prelude.

the venture capitalist which currently holds 22 per cent, has no plans to sell its stake. Albert E Sharp is sponsor and broker to the issue.

Langham Hilton By John Ridding in Hong Kong

United Utilities, the UK's first

multi-utility, is planning to announce a dividend at the top

end of market expectations

this week in a move intended

to lift its sagging share price.

Expected operating profits of

more than £460m will be in line

with analysts' most optimistic

forecasts. A dividend close to 33p is intended to show the group's confidence in its future

include a 3.8p special dividend

announced last year, will be significantly higher than North

Great Eagle Holdings, the Hong Kong property and hotels company, is to buy the Lang ham Hilton hotel in London from the Ladbroke Group for £100m.

The deal marks the first step in the Hong Kong group's planned international expan-

Great Eagle already owns several botels in its home mar-ket, and says it is now looking for development and acquisition opportunities in Hong Kong, New York, the west

coast of the US, and

China. Great Eagle said it was buying the Langham Hilton as a long term investment, citing its strong earnings potential. "In view of the tight supply of hotel accommodation in Lon-

don in the forseeable future, the generally improving global economic environment and the Langham's prime location, Great Eagle is confident of continuing improvement, the group said.

According to the Hong Kong company, which is controlled by the Lo family, the Langham Hilton achieved operating profits last year of £7.5m. This compares with operating profits of HK\$277.2m (£23.7m) last year from the group's hotels division.

The acquisition of the fivestar West End botel is to be funded partially by bank loans and partially by Great Eagle's internal resources A deposit of £10m has been

paid and the balance will be transferred on completion of the deal, which is expected in

Prism Rail raises £8m

By Motoko Rich

Prism Rail, the company which has been awarded a 15-year franchise to run the London, Tilbury & Southand railway. raised £8m in a recent placing which preceded its listing on the Alternative Investment Market tomorrow

Prism, which will run tha mainly commuter service dubbed "the misery line" because of its frequent delays and breakdowns, will become the UK's first publicly-quoted train operating company since the railways were nationalised in 1947. The group completed an £8m placing last Thursday in which it issued 8m new shares. It said the placing was over-subscribed, and that the unsatisfied demand could represent a pool of institutional investors who could provide a "ready source of additional capital to fund other franchises".

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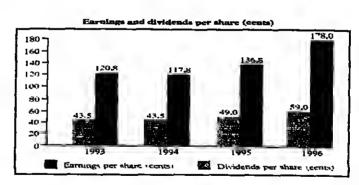
Great Eagle to buy

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Audited results for the year ended 31 March 1996

- Attributable income up by 50%
- Earnings per share up by 47%
- Headline earnings per share up by 30%
- Advances grow by 16%



	1996	1995
Income attributable to shareholders (R million)	1 130	754
Headline earnings (R million)	1 026	774
Earnings per share (cents)	196,1	133,3
Headline earnings per share (cents)	178,0	136,8
Dividends per share (cents)	59,0	49,0
Total assets (R billion)	115	100
Capital adequacy (BIS) (%)	9,4	8,5

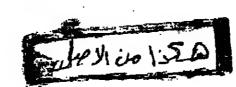
"The dedication of our staff to the success of ABSA is apparent in the outstanding results achieved"

DC Brink Chairman

All financial figures are reflected in South African currency.

ual report, which will be published on or before 30 June 1996, conract the Group Communication Bux 7735, Johannesburg, 2000 South Africa. Telephone (2711) 350-6008 Fax (2711) 350-6027 For a copy of the Group's annual report, white ABSA 8ank, P O Bux 7735, John

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COMPANIES AND FINANCE: INTERNATIONAL

Malaysia **Monetary Exchange** opens today

By James Kynge in Kuala Lumpur,

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Malaysia is today due to open its second financial futures exchange, an important link in tbe country's ambition to become a regional financial centre rivalling Hong Kong

and Singapore.
The Malaysia Monetary Exchange is expecting brisk demand for its single initial contract: the Kuala Lumpur Interbank Offered Rate (Klibor) futures contract, billed locally as the world's first bedging instrument for interest rates on the Malaysian dollar, or

The klibor is used as a benchmark against which banks price their loans to companies and through which the interest rate on money-market instruments is set.

Klibor futures would allow banks better to manage risks on their lending and to bedge against future interest rate fluctuations in the ringgit money market.

Economists say that, in theory, the Klibor futures contract should increase liquidity in the local money markets and raise the sophistication of bank lending in an economy which the government has said should grow at 8 per cent annually until 2000,

Mr Syed Jabbar Sbahabnddin, MME executive chairman, said trade in money market instruments bad grown at about 50 per cent annually for the last few years. Most popular are negotiable certificates of deposit, bankers' acceptances, Malaysian government securities and Klibor deposits. Seats on the MME come

cbeaper than on Malaysia's other futures exchange, the Kuala Lumpur Options and Financial Futures Exchange (Kloffe), which trades stock sed futures. Foreign companies are

barred from holding seats directly on the MME but can trade via existing alliances with local brokers who have Mr Syed said the MME

planned to launch US dollarringgit currency futures either this year or in 1997.

Write-offs hit Japan's trust, long-term credit banks Philips and

Japan's trust banks and long-term credit banks yester-day joined the country's city banks in declaring record pretax losses for the year to the end of March.
The three long-term credit

banks, institutions that have traditionally specialised in large-lot industrial lending. reported a combined recurring loss - before extraordinary items and tax - of Y408bn (\$3.79bn), compared with a profit in the previous year

The seven trust banks all reported recurring losses, amounting to a combined deficit of Y1,396bn, against a profit last year of Y79.2bn.

The losses arose from the banks' decision to write off more than Y4.000bn in bad loans between them, accumulated during the rollapse of the property market in the last five

Last week, the 11 city, or rommercial, banks wrote off a similar number of bad loans and recorded their largest-ever

All banks are under strong regulatory and political pressure to eliminate their asset quality problems as quickly as

How results and bad loans of the long-term credit banks and trust banks compared (Ybn) Change since Sept 95 (%) Long-term credit banks-1,035.4 2.7B1.5 -131.2 1.752.1 Yasuda T&B 725.9 -217.9 1:196.5 Chuo T&B - 74.9 5.114.9 4.889.2 6,015.2

possible. The trust banks are especially burdened with bad loans, and even after yesterday's announcement most will continue to struggle with the problem for several years.

and the leader that included the companies of the property of the companies of the compani

The banks were able to write off sucb a large number of losses in part because of strong profits from their core activities. Low interest rates belped lift the combined net operating profit by 131 per cent at the three long-term credit banks to Y618.1bn, and by 48 per cent at the trust banks to Y652.7bn.

The combination of direct write-offs and extra special provisions for loan losses. increased the overall coverage

the banks have against ultlmate possible losses on their bad loans.

However, in spite of these big provisions, they are still some way short of eliminating the problem. The two groups now have combined specific reserves covering just 40 per cent of their total bad loans. The city banks, in contrast, have provided for more than 50 per cent of their potential

Of the long-term credit banks, the Long-Term Credit Bank of Jspan has so far taken the most radical measures to improve its balance sheet. It is shrinking its global asset base

in an effort to improve capital

Many of the trust banks will see their capital strength weakened by the bad loan write-offs, and several are expected soon to shore up their capital base. Mitsubishi Trust said yesterday it was considering issuing preferred shares in the second half of the current financial

 A leading Tokyo-based property developer was arrested yesterday on suspicion of obstructing the auction of a company-owned plot of land. Mr Kichinosuke Sasaki, the

president of Togensha, one of the more famous contributors

to the land price inflation of the "bubble economy" of the late 1980s, was accused of falsifying a contract to block a request by the Industrial Bank of Japan that the parcel of land

The bank wanted to dispose of the property after Togensha had failed to repay more than Y20bn in loans. Mr Sasaki, it is alleged, drew

be anctioned.

up false documents purporting to lease the land to a company Togensha was a leading bor-

rower from the country's now bankrupt housing loan compa-The liquidation of the jusen.

involving the planned use of public funds, bas aroused strong popular opposition because of the links many of them had with dubious property developers and gangsters. Togensha is the second lead-

ing jusen debtor to be investigated by the authorities after Sueno Kosan, an Osaka-based property company, was raided by police earlier this month. • Due to an editing error, it was incorrectly reported in Saturday's FT that Sumitomo Bank declared a second successive loss for the year to March 31 1996. In fact, the bank made

a profit last year after a loss in the previous year.

Nethold By David Brown Philips, the Dutch consumer

electronics group, and PTT Nederland KPN, the recently privatised telecoms group, are to join forces with Nethold, a privately-owned provider of pay television, to introduce digital television in the Benelux countries this summer.

KPN in TV

link with

planned, it will mean that the existing subscription and payper-view TV competitors in the region - FilmNet/SuperSport (owned by Nethold) and Tele-Select (a Philips-KPN joint venture) - will be subsumed into a single operating entity.

The broad agreement, con-firmed by all three parties at the weekend, will involve KPN and Philips exchanging control of TeleSelect for shares in Nethold Benelux.

Mr Paul Kenninck, Nethold Benelux's chief executive, confirmed that a report by the Dutcb newspaper NRC Han-delsblad - which stated that KPN and Philips will each take a 10 per cent stake - was substantially correct.

A Philips spokeswoman added: "We bope to make an official announcement later this week."

The small size of the Tele-Select joint venture - which has some 12,000 subscribers, compared with FilmNet's 350,000 and SuperSport's 250,000 - belies the potential strategic importance of the deal.

For one thing, it will secure Nethold's access to the 1.2m bousebolds connected by KPN's cable TV subsidiary Casema, which has bitherto cooperated with TeleSelect on

pay-TV development.

Nethold, controlled by Richemont, a Swiss-based tobacco and luxury goods group, and MCL MultiChoice (which is in turn owned by Mr Johann Rupert, the South African financier), has some 2.7m subscribers across 43 countries.

It is the largest provider of pay-TV outside the US, after France's Canal Plus and BSkyB of the UK. Last month, it unveiled plans to launch digital TV in the Benelux region.

Samsung shares hit two-year low after slide in chip prices

Shares of Samsung Electronics, the South Korean group which is the world's biggest producer of computer memory chips, have plunged to a two-year low amid gloomy forecasts about semiconductor prices.

The Samsung Electronics share price has almost halved from the year's high of Won141,000 on February 1, to end yesterday at Won76,000 after dipping to Won72,800 on Saturday.

Samsung has been burt by rapidly falling prices for its mainstay 16-megabit dynamic random access memory (D-Ram) chip, due to excess global production. The international spot market price for 16-megabit D Rams in mid-May was \$16-\$18, against \$46-\$52 only six months ago.

Association in the US recently predicted that global D-Ram prices and sales would continue to weaken until the end of 1997. This is particularly bad news for the Korean semiconductor industry, which also includes the LG and Hyundai groups, because of its beavy

dependence on D-Ram chips

ratber than more advanced

The Semiconductor Industry

semiconductors. The fall in memory chip prices also poses difficulties for the Korean economy, since semiconductors accounted for 18 per cent of total exports of \$125bn last year. Officials expect the 1996 trade deficit to widen to \$10bn from a target of \$7bn because of the chip price

Analysts are worried about the impact on the Seoul bourse of the downturn in Samsung

shares, since Korea's only listed main chipmaker is the third largest company in terms of market capitalisation.

Samsung bad earlier predicted net profits of Won3,200bn (\$4.15bn) for 1996 against last year's profits of Won2,500bn, but officials admit that will be difficult to achieve. Semiconductors account for at least 80 per cent of total profits for Samsung Electronics, which also manufactures consumer electronics, telecoms equipment and computers.

Most analysts believe that Samsung's 1996 earnings will range between Won1,100bn and Won1,700bn, still the largest profits of any Korean company. Samsung's other main businesses, including shipbuilding and chemicals, are also expected to report profit falls this year.

Sharp growth at Hindustan Petroleum

By Kunal Bose in Calcutta

Hindustan Petroleum, India's second largest oil gronp, reported a 31.42 per cent increase in net profits for the year, reflecting a high level of refinery capacity ntilisation and strong growth in sales.

Net profits increased from Rs3.91bn to Rs5.14bn (\$147m) in the year to March, on the back of a 12.4 per cent rise in sales of petroleum products, to 14.15m tonnes. Earnings per sbare rose to Rs25.33 from Rs20.43. A final dividend of Rs2 a share makes a total for the year of Rs3.5 a share.

The company's joint venture with Birlas, India's second largest business group, commissioned a new 3m-tonne capacity refinery in Karnataka last March, three months ahead of schedule. Capacity is to be expanded to 9m tonnes.

Profits of Japanese drug groups ahead

Japanese pharmacentical yesterday companies announced steady increases in sales and earnings for the 12 months to March, but released weak forecasts for the current cuts in official drug prices.

Yamanouchi Pharmaceutical said unconsolidated current earnings for the past year to March rose 4.4 per cent to Y60.5bn (\$562m) on an 8.1 per cent increase in sales to Y295.1bn. After-tax profits rose 1.5 to Y28.6bn. The company will add Y15 a share to its annual dividend, taking it to

Y23 a share. Sales of Yamanouchi's ulcer treatments rose 13.5 per cent while revenues from its urinary disturbance treatment jumped 45.4 per cent.

ouchi sees the government's drug price cut weighing on sales and earnings, costing it about Y17bn in annual revenues. Recurring profits -before extraordinary items and tax - are expected to rise 0.1 per cent to Y60.6bn on a 1.6 per cent rise in sales to Y300hn. Dai-Icbi Pharmacentical

posted a 2.6 per cent increase in unconsolidated current earnings to Y42.8bn on a 2.6 per cent rise in sales to Y217.3bn, thanks to its oral antibacterial drug. After tax profits rose 8.8 per cent to Y20.5bn.

The company sees new drugs belping its parent sales to grow by 2.2 per cent to Y222bn, but expects the cut in prices to eat in to its profit margins. It forecasts recurring profits will rise 0.5 per cent, to Y43bn.

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Ormes Capital Markets, Inc.

Parker/Hunter

Pennsylvania Merchant Group Ltd

Principal Financial Securities, Inc. Ragen MacKenzie Raymond James & Associates, Inc.

Roney & Co. Southwest Securities, Inc.

Sanders Morris Mundy Inc.

Sands Brothers & Co., Ltd.

Van Kasper & Company

Sutro & Co. Incorporated

Tucker Anthony Wheat First Butcher Singer

NOTICE OF EARLY REDEMPTION

Mount ISA Finance N.V. 61/2% Subordinated Convertible Bonds due 1997 US\$ 125,000,000 (the «Bonds»)

Unconditionally guaranteed on a subordinated basis by with non-datachable Subordinated Conversion Bonds (the «Conversion Bonds») issued by, and with conversion rights into Ordinary Shares of MJM Holdings Limited

Notice is hereby given to the holders of the Bonds (the «Bondholders.») that, pursuant to Condition 8 (b) of the Bonds, the Issuer will on June 28, 1996 (the «Redemption Date») redeem all of the Bonds and the Conversion Bonds then outstanding and not previously convert

The redemption price (including accrued interest from June 10, 1996 to the Redemotion Date) of each US\$ 1,000 Bond with its attached Conversion Bond will be US\$ 1,003.26.

As provided in the Terms and Conditions of the Conversion Bonds. any Bondholder who wishes to exercise his right to convert must complete, sign and lodge, together with the Bonds, Conversion Bond and all the unmatured Coupons, a Notice of Conversion with either the Principal Paying and Conversion Agent or any of the Paying and Conversion Agents, as sel out below, at any time up to the close of bus-ness on June 20, 1996 when the conversion rights will terminate.

On redemption, payments of principal and accrued interest will be made, in accordance with the Conditions of the Bonds, against surrender of the Bonds and Coupons at the specified office of any of the Paying Agents listed below. Each Bond should be presented for redemption together with all unmatured Coupons appertaining there-to, failing which the amount of any such missing unmatured Coupons will be deducted from the sum dua for payment on the Redemption Date. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time not later than five years after the due date for the payment of each Coupon.

As at May 23, 1996, US\$ 125,000,000 principal amount of Bonds was known to be outstanding.

The attention of the Bondholders is drawn to the Conditions of the Bonds and the Conversion Bonds which contain further details re-garding conversion, redemption and payments.

Registrar and Principal Paying and Conversion Agent Kredietbank S.A. Luxembourgeoise L-2955 Luxembourg

Paying and Conversion Agents

Kredietbank N.V. Kredietbank N.V 125, West 55th Street New York, N.Y. 10019 (for payments of principal only)

Crédit Suisse Paradeplet; 8, CH-8001 Zünch

Luxembourg, May 28, 1995

Firedietbank N.V. 7th Roor, Exchange House, Primrose Street London EC2A 2HQ United Kingdom

NOTICE OF EARLY REDEMPTION

Mount ISA Finance N.V.

93/4% Subordinated Convertible Bonds due 1997 A\$ 125,000,000 (the «Bonds»)

Unconditionally guaranteed on a subordinated basis by, with non-detachable Subordinated Conversion Bonds (the «Conversion Bonds») sued by, and with conversion rights into Ordinary Shares of **M.LM Holdings Limited**

Notice is hereby given to the holders of the Bonds (the «Bondholders») that, pursuant to Condition 8 (b) of the Bonds, the Issuer will on June 28, 1996 (the *Redemption Date*) redeem all of the Bonds and the Conversion Bonds then outstanding and not previously convert-

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Registrar and Principal Paying and Conversion Agent Kredietbank S.A. Luxembourgeoise 43. boulevard Royal L. 2955 Luxembourg

> Paying and Conversion Agents Kredietoani: N.V.

Kredietbank N.V. 125. West 55th Street New York, N.Y. 10019 (for payments of principal only)

Crédit Suisse Paradeplatz 8, CH-8001 Zürich

Kredietbank N.V. 7th Floor, Exchange House. Primnose Street London EC2A 2HQ United Kingdom

Arenbergstraat 7, B-1000 Brussels

Luxembourg, May 28, 1996

COMPANIES AND FINANCE: INTERNATIONAL

Hollinger lifts its Southam stake to 41%

Hollinger, the publishing group controlled by Mr Conrad Black, is set to shake up Canada's newspaper industry after a series of acquisitions culminating in the purchase of a controlling stake in Southam, the country's biggest newspaper Hollinger has lifted its stake

in Southam from 20.5 per cent to 41 per cent by paying C\$294m (US\$214m) for shares previously held by Power Corporation, the Montreal-based investment holding company. Mr Black, whose interests include control of the UK's

Telegraph group and the Chicago Sun-Times, indicated that Hollinger planned shortly to raise its stake in Sontham to 50 per cent, and then to buy out the minority shareholders.

The Southam deal gives Hollinger control of 58 daily newspapers in Canada, most of them acquired in the past year. Southam's 20 papers include the main titles in Vancouver. Calgary and Ottawa, as well as Montraal's higgest-selling

English language paper.

Hollinger is also a leading candidate to buy control of the Financial Post, a business daily, which was put up for sale earlier this month.

Analysts expressed concern that the spate of acquisitions could significantly increase Hollinger's debt. Mr Ben Dube, analyst at Credifinance Securities in Montreal, estimated that the debt could grow from C\$1.1bn at the end of last year to as much as C\$3.1bn, including a pending deal to buy out possible."

sbarebolders and a bid for the Southam minorities. Southam

bas debt of close to C\$200m. However, Mr David Radler Hollinger's president, said Hollinger International, a US subsidiary, and possibly the parent company as well, planned to issue new equity pretty soon". The equity issues would also help finance

the Telegraph sbare purchase. Observers said Mr Black was also banking on a sharp correctioo in newsprint prices to belp offset the extra debt-servicing burden. The newsprint market bas recently begun to fall back after surging in 1994 and 1995. Hollinger's shares were 15 cents lower at C\$11.35 on the Toronto stock exchange yester-

day afternoon. Soutbam, which until 1985 was family-controlled, has had a reputation of not making the most of its assets. The pace of change bas quickened in recent years, with 750 job losses and a C\$250m capital

spending programme. But first-quarter earnings were below analysts' expectations, RBC Dominion Securities said in a report earlier this month that "the benefits [of increased efficiency in the operations) have yet to filter

through to the bottom line". Hollinger Indicated that It intended to turn up the beat. Six of Southam's outside directors have been asked to resign and some new directors will be appointed. "We think we can make more money," Mr Radler said. Some people on the board didn't think that was

BHP appointment breaks tradition

By Bethan Hutton in Sydney

BHP, the Australian resources group and the country's largest company, has named Mr Jer-emy Ellis, the executive general manager and chief executive officer of its minerals division, as the successor to 67-year-old chairman Mr Brian Loton, who is due to retire in May next year.

The move hreaks with the BHP tradition of moving its managing director up into the means that Mr Ellis in effect "leapfrogs" Mr John Prescott, who has held the managing director's job for five years.

However, BHP stressed yesterday that Mr Prescott will remain as managing director and chief executive officer.

Mr Ellis, who is 58, joined BHP in 1967 from ICI. after studying at Oxford on a Rhodes scholarship. He has been credited with the successful development of BHP's min-

erals arm over the past decade, expanding it both in terms of product and geographic diversity. In recent years this unit bas become the largest earnings source for BHP.

By contrast, Mr Prescott who is a couple of years younger than Mr Ellis - has experience in the steel and transport arms of BHP.

Mr Ellis is president of the Minerals Council of Australia and a director of the National Mining Congress in the US. He posts in July and take the role of deputy chairman for 10 months before moving up to the chairmanship.

Minerals внр announced it is to split into two groups: BHP Minerals and BHP Copper. From July 1, Mr Richard Carter will become executive general manager and chief execubve officer of BHP Minerals, and Mr Burgess Winter will fill the corresponding roles at BHP Copper.

NEWS DIGEST

SA banking group posts 49.9% rise

Amalgamated Banks of South Africa, the country's largest banking group, has posted a 49.9 per cent rise in attributable income to R1.1bn (\$252m) for the year to March, from R754m in the previous period. Earnings per share rose 30 per cent, from 136.8 cents to 178 cents, and the final dividend goes up 20.4 per

cent to 37.5 cents. Analysts welcomed the results, which they said confirmed Absa's turnround in the wake of difficulties experienced

integrating the group's four component banks.

Mr Danie Cronje, group chief executive, said management had "set itself the tough challenge of having the mergers totally bedded down within five years. We have significantly narrowed the gap between Absa's profitability and those of the other major banks".

Return on equity rose to 15.39 per cent, from 13.45 per cent the previous year, and return on assets increased from 0.86 per cent to 0.97 per cent. Despite tougher conditions in the retail sector, interest income rose by 14.5 per cent to R4.6bn, against R4bn. and the bank maintained its 50 per cent share of the home loans market.

Operating expenses as a percentage of total income were 70.5 per cent for the period, compared with an average of 66.7 per cent for Absa's competitors – but a single electronic operating system would be operational within 15 months. Global depository receipts for 58m shares would be issued to international institutions this year.

Mark Ashurst, Johannesburg

Metway changes tack Metway, the Queensland-based bank which was to bave merged with New South Wales-based St George Bank, has broken off that deal in favour of a complex merger with state-owned Suncorp Insurance and Finance, and the

Queensland Industry Development Corporation. A fourth party, the Bank of Queensland, which is 44.4 per cent owned by Sunrorp, is also to be invited In to the merger, The proposal is backed by the Queensland state government, which would bold an initial 70 per cent stake in the merged group but plans to sell all but 15 per cent over the next five years. Integrating the three or four companies could take two years or more. The merged group would have assets of about

A\$21bn (US\$16.6bn), making it the country's fifth-largest listed financial services groups, and would be largely Queensland-focused.

The agreed St George offer for Metway, at A\$4.62 a share. valued the company at A\$790m. The new proposal would give Metway sharebolders a choice of holding on to their shares, or

accepting a \$4.65 cash offer, to be funded by an underwritten capital raising by a listed unit trust.

This would be the fourth time St George has failed to merge with a regional bank, but it may still be considering a counter-offer.

Rether Futter

KNP BT agrees Czech deal

KNP BT, the Dutch paper and packaging group, said it bad concluded an agreement in principle to acquire 80 per cent of Karton Morava, a Czech packaging group, from the Czech-based ICEC Karton Holding, for an unspecified sum. KNP BT, which earlier bought two packaging companies in Poland, said the new acquisition would reinforce its further expansion in the emerging markets of central and eastern

Karton Morava, with a workforce of 600, consists of two corrugated box plants plus a paper mill that recycles waste paper to provide seed stock for the plants. The combined annual output of the two operations, near the cities of Zimrovice and Brno, is 85m sq m of corrugated board and

50,000 tonnes of corrugated paper. Karton Morava has an estimated market share of 25-30 per cent and enjoys "a leading position" in its market segment in the Czech Republic, KNPBT said. There are plans to expand production and for "a further optimisation of its paper David Brown, Amsterdam

Shangri-La Asia in hotels buy

Shangri La Asia, the Hong Kong property and hotels group, is to huy interests owned by its parent Kuok Group and independent third parties in 13 hotel project investment companies in China for HK\$2.48bn (US\$321m), its chairman,

Mr Richard Liu, said. Speaking after the company's annual general meeting, Mr Liu also said that "it is intended that Kerry Properties [a private company within the Kuok Group of media and property interests] will seek a [stock market] listing at the appropriate time". He said the acquisition would involve a cash payment of HK\$1.3bn and the issue of 105.7m new shares at a price of HK\$11.14 apiece.

Price cut hurts Japan's power groups

How Japanese power group results compare (Ym)

By William Dawkins in Tokyo

government-imposed electricity price cut took the shine off what was otherwise a hright 1995 for Japan's five largest private-sector electricity companies, all of which yes-terday reported profits declines

in the year to March. Tokyo Electric Power, the world's largest private electrical power supplier and pro-vider of one-third of Japan's electricity, was hardest hit. with a near 20 per cent decline in recurring profits - before tax and extraordinary items on turnover marginally ahead at Y5,031bn (\$46.7bn).

Of the rest of the group, Kansai Electric, supplier of power to Japan's central industrial heartland, reported a 9.6 per cent profits decline; Chubu Electric was 6.7 per cent down, Kyushu Electric's profits fell by 9.4 per cent and Chngoku Electric produced an 8.6 per

cent profits decrease. All five forecast another lecline in profits in the current year to next March, on the assumption that Japanese interest rates will rise, so pushing up the cost of servicing fall on a 1.7 per cent electricity

urring After-tax profit. 3 Tokyo Electric Year to Mar 96 48,112 80.200 50 50 35.77 59.87 4.975,400 208,904 Previous year Year to Mar 97† 5,000,000 52,000 Kansal Electric Year to Mar 96 2,514,353 122,176 48.042 49.09 50 SO 2,493,400 135, 133 29.957 Year to Mar 971 2,510,000 55,000 56.20 Chubu Electric 89,290 44.040 50 59.08 2.038,600 95,671 43,133 50 58.45 Year to Mar 97† 2,070,000 80,000 38,000 50.98 Kyushu Electric Year to Mar 96 1,398,490 41,991 56 88.56 1.361.600 44,587 50 94.97 Year to Mar 971 1,350,000 50,000 28,000 Chugoku Electric Year to Mar 96 1.008.237 50 50 Previous year Year to Mar 97† 982,000 38,000 21,000 Before extraordinary learns and tax, † forecast Source, Companies

their heavy debts. Some, notahty Tokyo Power, are trying to soften the coming interest rate blow by issuing low interest rate bonds and using the proceeds to pay off higher rate

They all blamed their profits

price cut sel by the government in January 1996. It was a consequence of the authorities decision to reduce the return on assets which electricity companies are permitted to make, part of the government's attempts to stimulate domestic industrial activity.

includes an automatic formula to trigger an increase when oil prices go up. There is, however, a three-month delay in the application of the trigger, which means the power supply companies are not expecting the latest oil price rises to feed through to an electricity rate increase until July.

The industry's aggregate vol-ume sales grew by 2.2 per cent last year, rather faster than the domestic economy, according to Mr Paul Smith, of James Capel Pacific in Tokyo. That rise was almost entirely due to the extreme weather of 1995.

At the same time, most power companies managed to reduce operating costs by increasing the capacity utilisa-tion of their nuclear plants. On average, nuclear plant operating rates increased by 3.6 per

cent to 80.2 per cent.
This was partly because of a drop in technical problems, as well as a strategy to reduce use of more expensive oil and natural gas. Tokyo Electric is planning to increase its deper on nuclear power from just over 40 per cent last year to 42 per cent in the current year.

Fuji Heavy reflects trend with strong rise

By William Dawkins

Three of Japan's top engineering companies added to the trend of a buoyant annual reporting season with sharp rises in profits for the year to March.

tries, the car producer affiliated with Nissan. Fuji Heavy cited increased domestic sales as the main Cost-cutting, the improved engine behind its 258.4 per cent Japanese economy, increased sales to east Asian emerging increase in non-consolidated recurring profit - before tax markets, strong demand for environmental equipment, and and extraordinary charges - to lower debt costs were the main Y10.1bn (\$93.8m). Remarkably,

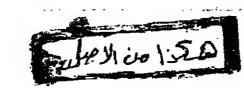
factors at work at Ishikawathat was achieved on a 10.2 per jima Barima Heavy Industries and Hitachi Zosen, the aerocent decline in turnover to Y746.8bn. space-to-shipbuilding com-It forecasts nearly doubled

bines, and Fuji Heavy Indusprofits of Y20bn on a 3.1 per cent rise in sales in the current Hitachi Zosen came in yes-

terday with record recurring profits of Y26.1bn, up 13.2 per cent on the previous year, on sales up by 9.6 per cent to Y461.6hn, For the current year. the company is forecasting a

14.8 per cent rise in recurring profits to Y30hn on an 8.3 per cent rise in sales IHHI produced its first rise

in sales and profits for five years, with recurring profits up 4.3 per cent to Y24.8n, on turnover ahead 4.9 per cent to Y855.9bn. However, it expects profits in fall 11.4 per cent this year to Y22hn on a 3 per cent decline in turnover to Y830bn, a consequence of declining sales of aerospace equipment.



100 YEARS OF THE DOW

The Dow Jones Industrial Average still captures the public imagination. When it breaks through numerical barriers, such as the 5,000 level, it provokes debate over whether the US market is overvalued. And the stock market crash of 1987 is memorable for its 508 point

Mr Jonathan Francis, head of global strategy at Putnern Investment Management in Boston: "It is a more potent measure for the average investo than for the professional." One reason is simply that the average consists of only 30 companies which, however large, represent only a portion of the change in any other measures. writes Philip Coggen.
Yet the average attracts much less interest from fund managers than its reputation might suggest. According to tend to look at the much broader Standard & Poor's 500, white overseas institutional

the FT S&P Actuaries US Index or the MSCI US index. The measures can diverge significantly, depending on the sectors in which investors are most interested. Apart from IBM, technology stocks are little featured In the Dow and an a high technology rally might leave the Dow lagging behind measures such as the Nasdaq index. Dow outperformed the S&P, and Putnem's Mr Francie thinks that "International investors were looking to increase

weightings in the US and ploughed money into the Dow blue chips". The Dow also stands out from the crowd in the way it is calculated. The average is price-weighted, with a stock with a \$100 stare price counting for twice as much as a \$50 share. As fund manager Michael O'Higgins points out in his book Beating the Dow, this could create a misleading sion. "A huge move in a few highpriced components could send the average one way even though a majority

of the components went the other way

Other indices, such as the S&P 500, are market capitalisation weighted so, on top of the much wider range of companies covered, the method of calculation should give a better impression of the overall ood of the market.

mood of the marker.
Nevertheless, unlike the cid FT-30
average which is calculated geometrically,
the Dow's construction does not give it a
downward bias over time. There have

5. April 9 -May 26, 1970: Kent State

killings help sperk final crash phase of 1968-1970 decline. Six-week market

loss was 20 per cent.

companies in the average - which are chosen by news editors of the Wall Street Journal - do not change sufficiently to keep in turne with the economy, but the diversification of some of its constituents in the 1980s, such as General Electric and Westinghouse, seems to have

problem.

The Dow still has a significant role on the New York Stock Exchange where a 50 point move in the average triggers restrictions on program trading. The

6. Black Monday stock market crash

crash, is starting to look a bit out-of-date arism, is starting to look a bit out-of-cable a 50 point move represents a shift of less than 1 per cent with the Dow at current levels. The restriction was even triggered by both up and down moves on the same

day earlier in May. Despite the views of professionals. unless the general public learns to love the S&P 500, or the media decide to drop the average as their shorthand for the stock market, the Dow looks set to enjoy another 100 years.

пiр

Any Rip

Van Winkle

who had bought

the original 12 Dow stocks and slept for a

100 years would have a hard time today tracking down his old investments.

Companies such as American Cotton Oil, Distilling & Cattle Feeding and Tennes

Coal & Iron have faded from

prominence, writes Philip Coggan

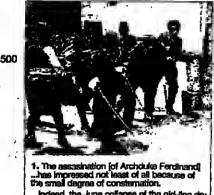
Semi-log scale 5,000 ...

Factory Maya,

beyond all precedent, and weary clerks toiled to midnight adjusting accounts of lawyers, grocers, clergymen who were learning to acquire wealth without labor...

Florists, jewellers, perfumers, restauranteurs modistes and vendors of automobiles rejoiced in the collateral prosperity secured to them by

The Commercial & Financial Chronicle -- early 1900s



Indeed, the Juna collapse of the old-line dry goods house, H.B. Claffin, heaf more immediate impact on the market. The Commercial & Financial Cryonicis

and the environment of the environment of the second of the environment of the contract of the contract of the

November 13 with the Dow at 199, What lay ahead, after a decetful recovery into April, was worse - a depthless world 101 Years on Wall Street (John Dennis Brown

Average changes



3. Japanese attack on Pearl Harbor

March 1939 and July 1956, for example. A Fip Van Winkle studying the history of the everage would barely notice October 18, 1987 - "Black Monday" - which looks like a bagatelle in comparison with the real bear market that followed the crash of 1929. The Dow fell by 17 per cent that year but anyone who thought they had seen the worst suffered through a near 34 per cent drop in 1930, a 51 per cent decline in 1931 and e further 23 per cent fall in 1932. Another era which stands out is the mid-1960s to early 1980s, when the Dow filted with the 1,000 level without breaking decisively through it. During that era, investors saw a number of enthusiasms come and go, such as conglomerates, concept stocks and the "Nifty Fifty" - companies which could be relied upon to grow for ever and which therefore could justify virtually any share price, inflation, oil price shocks and recessions combined to whack the average on a number of occasions during that period.

Eventually, only in 1982, when the Faderal Reserve decided it had done enough to squeeze inflation out of the system and started to loosen monetary policy, did the market break free of its shackles. Arguably, the US has seen one long bull market since then, as the average has never looked like returning to the 1,000 level and has marched past the two, three, four and five thousand marks.

The average has recorded only two small annual falls since 1982 and has risen for five years in a row, for only the third time this century. Bulls should note that the average has never risen for six years in succession.

The 30 of today The original 12

American Cotton Oil American Tobacco Chicago Gas Distilling & Cattle Feeding Senaral Electric

National Lead North American Company Tennessee Coal & Iron US Leater Fratered

Allied-Signal Aluminium Company of America

Chevron Walt Disney. Du Pont

Exxon

McDonald'a JP Morgan Philip Monis Procter & Gamble

But by 1928, when the average was extended to include 30 stocks - the same

level as Today - the list had a more modern feel. Several current constituents have

survived since then, such as General Electric, General Motors, Sears Roebuck and Woolworth, Indeed, the list has stayed remarkably constant for long periods - unchanging between

> Sears Roebuck Тежесо Union Carbide United Technologies Westinghouse Electric

.

er grou

WORLD WAR I

KOREAN WAR

VIETNAM WAR

GULF WAR



IF ALL YOU DO IS LOOK AT YOURSELF, IT'S EASY TO LOSE SIGHT OF THE ESSENTIALS.

Just look what vanity and egocentricity can turn us into. Yet corporate narcissism is far more common than you might think. It can have whole companies smugly admiring their past accomplishments, blithely

forgetting that these can fade faster than the time it took to achieve them.

Success: precious but ephemeral. Every day, you have to fight for it anew. There's no time for idly con-

templating the corporate navel. Which is why we've always looked steadily ahead, our eyes and minds open to new ideas and new concepts. And it's why we so often succeed in identifying today the solutions our customers will require tomorrow, be they in the realm of production, trading, or services.

Reason enough, you might think, for looking back with pride. For instance, at a successful corporate history reaching back 240 years. Or at our extraordinary

transformation from trading house to global corporation, with 35,000 employees world-wide and a turnover of DM 24 billion. But we prefer to concentrate instead on the essentials, and that means keeping our eyes fixed firmly on the future.

HANIEL

franz-Haniel-Plotz I, D-47119 Duisburg

Philip Coggan assesses the improvements in performance in a depressed and variable sector

Hedge funds have had a bad press over the last couple of years. The sudden plunge in glohal bond markets caught many unawares in 1994 and, in 1995, the high returns offered hy the US stock market proved a hard beochmark to beat.

Some of the higgest names in the industry seemed to get discouraged. Mr Michael Steinhardt decided to give up completely: Mr Bruce Koyner of Caxton and Mr Paul Tudor Jooes of Tudor Investments returned some funds to inves-

But in 1996 the tide seems to have turned. The Van Global Hedge Fund index rose 9.3 per cent in the first four months of the year, outstripping the 7 per cent achieved by the S&P 500

index.
The hig names are doing rather better this year. According to Mr Michael Goldman of Momentum UK, the Jaguar fund (Mr. Julian Robertson) was up 7.7 per cent in the first quarter, while Omega (Mr Leon Cooperman) was 9.9 per cent ahead. The Quantum fund of Mr George Soros was around 4 per cent ahead, lagging the

These leading names are concentrated in the "macro" sector, where managers take bets oo global movements in interest and exchange rates. This was the sector which hore the hrunt of 1994's problems. "Macro funds make their money from hig economic shifts" says Mr Goldman. "But they prefer an established trend and, in 1994, as the interest rate cycle changed, some

were dramatically caught out."
There was some talk that. earlier this year, hedge funds had been caught again, as a tactic of borrowing in cheap yen to invest in higher-yielding Treasury bonds turned sour in February. But Mr Patrick Mor-iarty, senior vice president at Evaluation Associates Capital Markets says "we heard a lot more talk about the trend in the media than we saw trades

actually put on." The macro managers are in any case not perfectly repre-sentative of the whole industry. The term "hedge fund" covers a vast range of manage-ment styles, including invest-ment in emerging markets, dis-

FUND MANAGEMENT

tressed securities and market neutral approaches, which use

a mixture of long and short positions. It is unlikely that any year would be good or bad for all hedge funds; in 1994, for example, short sellers earned Mr Goldman points out that "The hedge fund universe has grown exponentially over the last five years to include the

broadest range of strategies and styles. Commonly these are lumped together under the general umbrella of high risk and high volatility. In fact, many hedge funds follow conservative strategies in predictable markets and have rela-

tively modest shorter term return objectives hut provida stable, long term profits."

The table shows how the different sectors, as defined by Van Hedge Fund Advisers, performed in the last five years and in the first four months of 1996. "April was an explosive month for hedge funds world-wide, with 12 of 14 US hedge fund investment styles and 10 of 12 offshore investment styles beating the S&P 500 and US equity/bond mutual funds," said Mr George Van, chairman

of Van Hedge Fund Advisers. The best sector so far this year has heen aggressive growth funds which tend to invest in stocks with high price-earnings ratios but the prospect of rapidly increasing earnings. These achieved gains of 13.7 per cent in the first four months of the year, and 7.6 per

cent in April alone. The improved performance across the board is steadily increasing investors' confidence in the sector.

"Two things are starting to happen" axid Mr Goldman. "People are coming back to the macro guys because they're starting to make money again, but there is also a growing tendency to invest in lower volatility, specialist sectors such as distressed securities."

Mr Moriarty also thinks that the problems of 1994 and 1995 may have done the industry some good. "Back in 1993, capacity in the industry was way over-extended" he said. "Now that some managers have lost assets, it has made them more competitive."

	HEDGE					
Sector	1991	1992	1993	1994	1995	YTD 1996
Aggressive Growth	46.1	16.6	23.8	0.1	32.2	13.7
Distressed Securities	37.5	25.7	30.9	3.5	17.0	9.5
Emerging Markets	29.3	22.7	84.4	-4.1	-0.2	13.2
Fund of funds	12.5	11.3	24.3	-3.3	15.8	6.4
Income	25.3	14.8	21.4	-0.6	9.1	3.0
Масто	40.8	17.0	47.5	-13.8	9.3	7.0
Market neutral - arbitrage	17.7	14.8	18.6	2.5	14.5	8.6
Market n'l - sec's hedging	22.5.	15.3	22.1	4.3	15.9	9.1
Market timing	45.6	12.1	20.4	-1.9	9.9	4.1
Opportunistic	47.2	27.1	31.4	2.6	26.5	9.0
Several strategies	31.8	18.5	24.3	0.1	21.5	9.3
Short selling	-19.8	7.8	-6.8	14.1	-14.7	-11.8
Special situations	28.8	17.4	29.0	3.2	21.6	10.5
Value	30.5	15.4	28.3	2.5	26.2	11.1
Van Global Hedge Fund	44.0			440	20	
Index	29.4	17.0	29.0	0.4	18.0	9.3

The brisk new face of African banking

Omar Kabbaj has brought a new style to the African Development Bank since he took over as president eight months ago, writes Paul Adams. The small, unassuming 43-year-old Moroccan has no time for status symbols - and he

wants rapid reform of the ADB. "The style now is more husinesslike and the staff more professional," said Kahbaj in Ahidjan last week after he astounded delegates by wrapping up his first annual general meeting a day early. "People said they had never seen an ADB meeting like this before, with no political in-fighting and things running on time."

The governors were last week unanimous in praising Kabbaj, who has quickly restored consensus to the bank at the same time as tackling difficult reforms.

A former specialist in economic affairs in the Moroccan prime minister's office, the new president was chosen to succeed Babacar Ndiaye of Senegal after three months of acrimonious debate among the bank's members. An advocate of liberal economic reform in Africa, he has also previously held various management positions with hig Moroccan companies, and spent 13 years on the executive board of the International Monetary Fund.

Not everyone has enjoyed his arrival. Some 240 staff have lost their jobs, and some of those who remain are demoralised. But Kabbaj has the backing of the 70 or so governments which make up the bank's shareholders; and he has the advantage of being a Francophone, like

the majority voting bloc in the ADB. Coming from North Africa, the region which borrows most from the ADB. also helps, and as a former IMF director, he appeals to the non-African members who now provide most of the bank's funds.

Last week's commitment of nearly \$3bn for the African Development Fund set the non-African donors' seal of approval on the new ADB.

The deal ends two and a half years without any new money for 75 per cent of the ADB's borrowers, and it means that the shareholders - especially the donors like the US, France, Germany and Japan - believe that the ADB is now heading in the right

Swiss move for Lazard duo

Investment bankers in London, New York and Switzerland are scratching their heads over the defection of Robert Agostinelli and Steven Langman from the 150-year-old Lazard Preres to join Union Bancaire Privée,





ADB president Omar Kahbaj: restoring consensus

the Swiss private bank, writes George

Agostinelli, who will join UBP in Geneva, is a mergers and acquisitions specialist who brought US-style takeover tactics to the UK market when he set up Goldman Sachs' London M&A operation in the 1980s.

He moved to Lazard Freres in 1987, heading its London office and then becoming senior managing director for investment banking in its New York office. In 1990 the magazine Institutional Investor picked him as one of its "Next Generation of Financial Leaders'

Now 42, Agostinelli will join UBP's executive management committee and oversee international private banking and worldwide advisory investment

banking services. Langman, who worked closely with Agostinelli at Goldman and Lazard. will be president and chief executive of UBP's new US subsidiary. Now 34,

Laugman in 1993 became the youngest

person ever to be named managing director at Lazard Freres

The idea for UBP, which was established in 1990 from the merger of Edgar de Picciotto's Compagnie de Banque et d'Investissements with TDB American Express, is to move upstream from asset management hy providing comprehensive financial advisory services to owners of private companies.

But competitors are wondering how well Agostinelli's M&A skills and Wall Street address book will translate to the discreet world of private banking.

Paper chief for Thai exchange '

The entirely electronic Stock Exchange of Thailand (SET) is going back into the world of paper on July 1 when Singh Tangtatsawas takes over as the bourse's new president, writes Ted Bardacke,

Singh, who was named last week, is currently deputy managing director of Siam Pulp & Paper, a subsidiary of the royal-owned Slam Cement

conglomerate.
Although Singh, who holds an MBA from Wharton School of Business, once headed the fiscal planning office at Thailand's ministry of finance, his experience with capital markets, or regulatory issues, is scant.
That could be a good thing. Being

president of the SET is a thankless joh, with local retail investors demanding that the market always go up, foreign investors demanding better corporate disclosure (which is bound to make the market go down), and mutual funds pushing for the introduction of complicated instruments like derivatives and short-selling. The SET board searched for four months before finding someone would accept tha joh.

Being an outsider could allow Singh to act without stepping on the toes of friends in the industry. And his technocratic and royal connections could provide a base of support for him to tackle some of the more duhious practices at the exchange.

But that all depends on Singh's character. And that remains a mystery, as all the industry has to go on is one piece of paper; Singh's

Caspian lands a Mexican fish

Caspian, the emerging markets hrokerage house launched last year by Christopher Heath – who guided Barings Securities to prominence in Asia in the 1980s - has netted another

hig oame, writes Stephen Fidler. Pedro Aspe. Mexico's finance minister from 1988 to 1994, is joining Caspian's strategy board. There he will sit alongside Robert McNamara, the former US Defence Secretary, and Wilfried Thalwitz, former senior vice president at the World Bank, among

ės – 1 · ·

 $0.05i_{1/2}$

This is only the second board appointment for Aspe, who is also a director of McGraw-Hill. Aspe, who has a PhD from the Massachusetts Institute of Technology, is chairman of Vector Casa de Bolsa, the stockbroking arm of the Mooterrey-based Pulsar group. He also finds the time to teach economics as professor at the Technical University of Mexico.

He has been careful to avoid accusations of conflicts of interest. Pulsar, controlled by tycoon Alfonso Romo, was not associated with the Mexican privatisation programme and Caspian itself was not in existence while Aspe was minister.

Aspe kept a studiously low profile during Mexico's financial crisis last year following the devaluation that took place just three weeks after he left office. His obsession with avoiding devaluation while in office was indeed seen by some as exacerbating the

INVESTEC HOLDINGS LIMITED

Audited group results for the year ended 31 March 1996

7	A CONTRACTOR OF THE PROPERTY OF THE PARTY OF THE PROPERTY OF THE PARTY
	3) March 3 (Abret)
ب ب د ر	
	arnings attributable to ordinary stareliolders (RGCO) 196 649 65 088 53
E	Familings per share (censs) 358,4 395,9 393
1	Diluted earnings per share (cents) 332.0 244.6 35.
	Dividends per share (cents) \$50.0 \$6.0 \$6.0
-	Dividend cover (times)
١,	Neighted number of ordinary shares in issue 29 760 801 25 333 333
٠,	Meighted number of shares in issue on a diluted basis 34 760 801 29 833 333

	31 March	31 March	
	1996	1995	%
	R000	R000	Increase
Net income after taxation	263 387	167 522	57,2
Attributable to minonty shareholders in subsidiaries	139 135	87 246	39,5
Net income	124 252	80 276	54,8
Preference dividends	17 603	15 188	
Earnings attributable to ordinary shareholders	106 649	65 088	63,9
Ordinary dividends	46 408	26 160	
Retained income for the year	60 241	38 928	

Dividend announcement

A final dividend (No. 20) of 102 cents per ordinary share for the year ended 31 March 1996 has been declared payable to shareholders istered at the close of business on 7 June 1996 (1995: 60 cents per share). Dividend cheques will be posted on or about 21 June 1996

By order of the board

20 May 1996

Secretary

Consolidated balance sheet

Associated companies

Fixed assets

31 March	31 March
1996	1995
R000	8000
3 154	2 800
142 678	142 678
586 324	384 709
405 746	353 835
1 137 902	884 022
482 640	84 453
84 345	72 295
1 436 599	1 212 167
3 141 486	2 252 937
53 829 398	12 953 446
68 157	41 775
57 039 041	15 248 158
28 229 520	4 532 792
15 923 591	2 119 615
8 402 724	5 754 519
3 162 432	7 664 295
	1996 R000 3 154 142 678 586 324 405 746 1 137 902 482 640 84 345 1 436 599 3 141 486 53 829 398 68 157 57 039 041 28 229 520 15 923 591 8 402 724

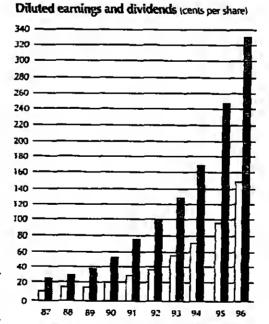
1 060 656

260 118

57 039 041 15 248 158

656 526

520 411



Ten year compound growth in dividends per share 36.7% per annun Ten year compound growth in diluted samings per share 35,9% per annum

The results of Investec Holdings Limited (Inhold) reflect the continuing sound performance of the company's subsidiary Invested 8ank Limited Invested), Inhold shareholders are referred to investec's announcement for lurther details

regarding the group's results. Farnings attributable to ordinary shareholders increased by 63,9% to R106,6 million, resulting in earnings per share of 358,4 cents, 39,5% higher than the previous financial year. Diluted earnings per share increased by 35.7% to 332.11 cents. Inhold has achieved a ten year compound owth rate per annum in diluted earnings per share and dividends per share of 35,9% and 36,7% respecti The directors expect Invester, and therefore Inhold, to

continue achieving growth in earnings and div with historic results. On behalf of the board 1 R Kartor Chairman

8 Kardol Deputy Chairman

Olerectors: I R Kanton (Charman), B Kardon (Deput) Charm G R Burger, G H Davin, H S Herman, B Kardon, S Kosell, II !

Niederhoffer Investments, Inc.

Victor Niederhoffer, a rop-performing US fund manager and pinneer in the statistical analysis and prediction of worldwide financial markets, will discuss the relationship between music and speculation.

Accompanying him on the piano during his talk will be Robert Schrade, an internationally renowned performer.

> At the Howard Hotel, London on Monday 3rd June Attendance is by invitation only

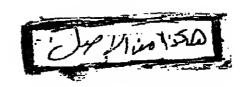
Please contact Ms Sue Gourlay Tel: 0171 490 8062 or Fax: 0171 490 8063

Niederhotter lose-moents Inc. is based in New York and is regulated by the CFTC



The survey will focus on the policies of the new administration @ The challenge faced by the country of monetary union 🖨 Spain's privatisation programme, banking, competition and much more . Its music and dance culture.

For further information, please contact Ewa Placzek-Neves on +44 0171 873 3725, Fax: +44 171 873 3204 or Edward Macquisten on +34 1 377 0061 or Fax: +341 377 0062.



THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ YESTERDAY Kerry Group A RQ.23p

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E TODAY
Ar Products and Chemicals 9%% Nes
1997 295
Asah Beer Intl (Auct) 7.3% Gtd Bds 1996
Y730000 BAu Fin BV 8% Nts 1997 5800 Boosey & Hawkes 5 47p Bradford & Bingley Sub FRM's 2005 £172.66

172,65
Bridgestions Corp 71/16 Bds 1996
9725000
Do 71/16 Bds 1999 9725000
Do 71/16 Bds 1999 9725000
Do 71/16 Bds 2000 9725000
Do 71/16 Bds 2001 9725000
British Fitting 2.4p
British Fitting 2.4p
British Fitting 2.4p
British Fitting 2.4p
CAMG 3.2p
CAMG 3.2p
CS First Boston Fin BV Grd Sub Cattles
4 45p
Carton Cords 3.35p
FRN's 2003 \$29.86
Dotrortech 2 74p

Dotrontech 2 74p Dorumark (Kingdom of) FRN's 1998

Extract Arangoom on PAN'S 1998
C153.47
Emerging Mikts Country Inv Tst 0.4p
Export-Import Bank of Japan Bl4% Grd
Bds 2005 S62.5
Graham Group 3.8p
Grarepan 4.3p
Graceby 3.9p
Halitax Bidg Soc FRN's 1997 C158.83
Housing Fin Corp 11½% Deb 2016 S5.75
Intec B% Nis 1999 Y600000
Insh Parmanent IR79
Kobe Steel 5.8% Bds 1997 Y580000
Do 5.8% Bds 1998 Y580000
Legal & Gen Fin 6.9% Bds 2013 C1150
Osaka Gas 5% Nis 1998 S297.5
Royal Dutch Petroleum FL5.6
Sanwa Australia Fin Gld Flag/Fad Rate Nis
2004 E3004 48
Sanyo Elec FRN's 1998 Y23438 Sanyo Elec FRN's 1998 Y23438 Savoy Hotel A 14p Do B 7p

Navication 31/5, Bda 2003 \$375 Slough Estates 10% Bds 2007 £100

State Electricity Comm of Victoria 101/5% Gtd Nts 2003 A\$105 Stat. Plus 5.7p Tokyo-Misublehi FRN's 2000 \$24961.41 Toray Inds FRN's 1997 Y21644 United Frendly 17.5p D. 8.17.5 Do B 17.5p Westpac Birg 6% Sub Bde 1996 \$400 Do FRN's 1998 £15.66

E TOMORROW Aegon NV FL1.75 Caspell 3p Churchill China 7.55p Cruitania Carania 7,55p Chydeport 3p Eksportfinaires 104% Mei 1996 C\$102.5 Essevier MV FL10.41 Five Cales Invis 0.35p Prudential Corp 10.4p Read that 17p Rotorik 3.3p Sweden (Kingdom of) 814% Bds 1996 C437.5 Sweden (Kingoo £437.5 Ti Group 8.75p

THURSDAY MAY 30 Bank of Montreal CS0.36 Capital Inda 2.7p Chelsteld 1.65p Christes Ind 2.15p Cookson 4.5p Golden Vale IR1.8p IRC 5p Golden Vale i IBC 5p Kode inti 1p Kvaerner A NK6.5 Do B NK6.5 Laporte 14.6p Litho Supplies 4.64p Mactarlone (Chinemen) 2.5p

Mactarione (Claneman) 2.5p
Monstern 1.2p
New Guernsey Sec Tst 1p
Pemberstone 0.8pp
Princedale 0.4p
State Becincity Comm of Victoria 12%%
Gdd Nts 2001 AST22.5
Tholland intl Fd Ptg 80.2
Velue & Income Tst 9%% Deb 2026
£4.6875

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Allied Domecr, 51/46 (3.85% net) Pri 1.825p Do 775% (51/4% net) Pri 2.825p Allied Iriah Benits Und FRN's \$301.82 Do Und VRIV's \$168.11 Armay 4.7p Adias Control Equip 15p Autoriotise Precision 3.3p Bankers triv 18t 1.15p Bankers triv 18t 1.15p Do 33/46 Pri 21.75 Bank of Sootland (Gov & Co of The) 81/46 Bank of Sootland (Gov & Co of The) 81/46 Bank of Scotland (Gov & Co of The) 9%% Into Pri 4.625p Do 9%% Into Pri 4.875p Do Und VRN's \$159,72

Shistol (15.7 pg 111% Red 2006 £5.75 British Polythene inds 11p CLS 3.15p Cup 5 Counties 6%% 1st Mrg Deb 1995/ 2000 £3.4375 2000 tal.4375 Cater Alien Gilt & Fed Inc Fd Ptg Red Pri (Gilt Inc Fd) 8p Do Ptg Red Pri (High Yld Gilt Fd 2000) Chess Manhettan Sub FRN's 1997 Clayhithe 91/2% Sub Criv Una Ln 2000/01 £4.75 Collaterational Mortgage Secs (No 5) Mtg Blud FRN's 2027 £95,43 Do (No 7) A2 Mtg Blkd FRN's 2028 \$111.47

Do A3 Mag Blud FRN's 2028 \$170.61 Do (No b) A3 Mag Blud FRN's 2033 \$169.86 C169.86
Do (No 10) 11436 Seed Bds 1996 £587.5
Co-operative Bank 4.625p
Cropper (J) 996 Uns Ln 1994/99 £4.5
Dawsongroup 4p
Doeflex 4.6p
Dumyaf inv Tat 0.49p Duntop Plants 6% (4.2% net) Prf 2.1p Edigoe Blands 1p Elec & Gen Inv 10%% Deb 2011 £5.376

Exto 8p Exmoor Dust inv Tst Inc 1.8p Herming Geernd Inc 3. Assets Inv Tst 9.3-13.3% Ptg Prid 8.65p Herning (R) Netherlands BV Prim Cap Und Gtd FRN's \$220.88 Forward Tech 1.75p Forward Tech 1.75p Gertmore British Inc & Growth Tst Gee Inc 2.1p Do Units 2.1p Geored Inc Inv

Geared Inc Inv Tet 3.165p
Glasgow inc Till 0.6p
Glasgow inc Till 0.6p
Glasto Wellcome 61k% Nts 2000 \$67.5
Global Group 0.4p
Gnodhead 7% Criv Red Prf 3.5p
Grand Metropolitan Fin 9% 8ds 2005 £90
Group Tet 1.17p
Hatstand ASA A NK5
Do B NK5
Hays 2.6p
Herningway Props 0.35p
Henderson Horitend Tet 1.5p Henningway Prope 0.35p Henderson Highland Tst 1.5p Homer Fin (No 2) A Mtg Bled FRN's 2030 \$92.91

S92.91
Do B Mitg Blad FRN's 2030 £203.29
Hundrig Bla% Cnv Prt 4.125p
Hydrol-Quebec 15% Ln 2011 £7.5
ISA Intl 1.65p
Independent Insce 6.65p
Intereurope Tech Sus 1p
Johnson Fry 2p
Jove Int Tist Inc 4.2p
Kalauz KS1.25p
Kalauz KS1.25p Keller 3.55p Keller 3.55p Kiln Cap 2p Kleinwort Benson Prim Cap Und FRN's Kleinwort Berson Prim Cap Und FRN's \$308.18
Do Prim Cap Und FRN's Sers 2 \$308.18
Kleinwort Charter Inv Tst 4*6 Pri C2
Langdons Foods 0.1p
Loyds Bark Prim Cap Und FRN's Sers 2
\$138.96
Manders 8.4p
Martey 2.6p
Mayborn 4.95p
McAlpine (A) 4p
Motalrax Sp

Midland Bank 14% Sub Une Ln 27 Metargate 10% PM 2.377p
Mithras Inv Tst 0.25p
Moss Bros 13p
Nati Westminster Bank Prim Cap FRN's Nati Westminste Sers C \$137.38 Sets C \$131.55 Newmen Tonks 4p Partco 4.75p Paterson Zochonis 7%% Prf 3.75p

Patienton Zicchonie 714% Prf 3.75p Do 10% Prf 5p Poet 51% Criv NV Prf 2.825p Persone 3.36p RAP 3p RAP 3p RAC Cap B%% Criv Cap Bids 2006 243.75 Rackwood Mineral 2p Ragby Gtd FRN's Aug 1997 \$4851.94 Do Gid FRN's Oct 1997 \$4851.51 Do Gid FRN's Oct 1997 \$4851.51 Do Gid FRN's Oct 1997 \$4851.51 Prf 1.9259

Pri 1.925p Do 11% (7.7% net) Pri 3 65p Ruberold 4.2p St Modwen Props 814% Red 2nd Pri

Riberto 4.29
Riberto 4.26
Riberto 7.26
Riber

25.25
TSB Hill Semuel Bank Perp FRN's \$305
TF Fin 11,5% Grd Deb 2018 25.85625
Tate 8 Lyle 71:5% Cnv Red Pri 3,625p
Throgmorton Tst 12,5% Deb 2010
28.15625

Do 714% One Uns Ln 2003 £3.625

Moss Bros., 8 St Johns HR, S.W., 10:30 Portmeirlen, London Rood, Smish-on-Trent, 2:3 Credicte Groop, Centre House, Aerburton Road East, Trafford Park, Manchester, 12:00 RAP Group, 10 Grow HB, Ed., 12:00 Hediand, Pielsteres Hell, 1 London Wolf, E.C.,

Urben Mortgage Bank of Sweden Sub FRN's 2001 \$18278.17 Wells Fargo Sub FRN's 2000 \$47.9 E SATURDAY JUNE 1 Cater Alien 5% (33/% net) Pri 1.75p Do 4.2% 2nd Pri 2.1p FBC Inv Tst 4%% Perp Deb 52.125

Tokyo-Miksubishi Inti Duti Basis Sub Nits

2004 \$71250 Trust Union Fin (1991) 8%/95 Deb 2008

Pleming Inc & Cap Inv Tss 1.7p Do Units 1.7p Florning Mercantile Inv Tst 44% Perp Deb Ford Motor \$0.35

General Cone inv Tst 4'4% (2.975% net) A Pri £1.4875 Gerifinance NV 11.49% Lp 2007 £57.45 Govett Oriental Inv Tst 5% (35% net) Pri 2008 £4.75

Harris (P) 7½% (5½% net) Pri 2.625p Do 8% (5.6% net) Pri 2.8p Kirklees Metropolitan Council 11.6% Red 2031 €5.8 Law Debenture 41/96 Deb £2.25 Lewis (J) Partnership 5% (31/2% nat) Prf 1.75p Do 7½% (5¼% net) Prf 2.625p

London (County of) 21/2% Coms £0.625 Do 3% Cons £0.75 Monks Inv Tst 11% Deb 2012 25,5 Save & Prosper Linked Int Tst 15.5p Unigate 61/94 Uns Ln 1932/97 £2.724658

Union Carbide \$0.1875 Wright (J) Weaving 41/96 (3,15% net) Pri

E.C., 11.00 MAID, 48 Leicester Square, W.C. New City & Commercial for Trus

BOARD MEETINGS:

New City & Commercial for Trust, 11 Deventhire Square, E.C., 12:00 19MC Group, Four Sessors Hebst, Hernst Place, Pork Lane, W., 11:30 Uster Telestelon, Havelock House, Orme Fland, Ballest, 12:00 90-0019.

normally available until approximately a nitur the board resetting to approve the

K&M Engineering and Consulting Corporation 2001 L Street, N.W., Suite 500 Washington, D.C. 20036 USA HSBC Holdings, The Barbican Hall, Barbican

Mr. Guy Knowle, Manager of Procurement Services Tel: (202) 728-0390 (202) 872-9174 Fax: E mail: gknowle@mailer.KMEC.com

at no cost, on or about May 28, 1996 from:

about 300 to from the Project site.

Secretary **Bangladesh Power Development Board** WAPDA Building 12. Motificel Commercial Area

Dhaka-1000 Baneladesh Tel: (880-2) 955-4209 Fax: (880-2) 956-4765 (880-2) 955-1344

Potential 5ponsor's "Qualification Statements" will be received until 1700 homs Washington, D.C. time on June 27, 1996 at the above addresses.

CONTRACTS & TENDERS

BANGLADESH POWER DEVELOPMENT BOARD

DEVELOPMENT OF MEGHNAGHAT COMBINED

CYCLE POWER PROJECT

ON A BUILD-OWN-OPERATE-TRANSFER BASIS

NOTICE FOR PREQUALIFICATION OF SPONSORS

the Government of the People's Republic of Bangladesh, intends to have the first stage of the Meghanghat Power Project (the Project), comprising 300-450 MW of gas-fired combined cycle power plant with a 230 kV switchyard and support facilities, implemented on a build-own-operate-transfer (BOOT)

basis. The total cooperation period will be about 23 years comprising a

the Project be implemented so as to commence simple cycle operation on or

The Project is being assisted by the Asian Development Bank (ADB) which will consider financial assistance of up to US\$50 million in equity and

long-term debt to the Project. To speed up implementation a project

To assist SPDB to project implementation, K&M Engineering and Congulting Corporation, USA has been appointed as the advisor for sponsor

BPDB now seeks to prequalify interested firms and/or joint ventures w

have previous international experience in implementing energy projects prefembly in developing countries, and invites "Qualification Statements"

from them. The prequalification document which contains the require "Qualification Statement" forms and the evaluation criteria will be availab

selection and Mon Ewbank Preece, UK as the Engineer.

company is being constituted by BPDB, to which land and other rights for project development will be assigned and which will be taken over by the Sponsor. Power evacuation facilities are proposed to be implemented with ADB's financial assistance under its proposed Ninth Power Project. Fuel for the Project has been commined and the existing trunk gas pipeline runs only

before December 1998 and combined cycle operation on or before December 1998 and combined cycle operation on or before December 1998 and combined cycle operation on or before December 1998 and combined cycle operation on or before December 1998 and combined cycle operation on or before December 1998 and combined cycle operation on or before December 1998 and combined cycle operation on or before December 1998 and combined cycle operation on or before December 1998 and combined cycle operation on or before December 1998 and combined cycle operation on or before December 1998 and combined cycle operation on or before December 1998 and combined cycle operation on or before December 1998 and combined cycle operation on or before December 1998 and cycle operation of the cycle operation operation of the cycle operation of the cycle operation operation operation of

construction period of about 3 years and an operating period of 20 years 8 PDB intends to select a sponsor (the Sponsor) through international competitive bidding based on a Request for Proposal (RFP) and negotine the agreements under which the Project will be implemented. It is intended that

The Bangladesh Power Development Board (BPDB), an organ

UK COMPANIES

COMPANY MEETINGS

ling Equipment, 4 Broadgate, E.C., 10 DD
Accomate Group, Unit 5, Holden Road Trading
Estate, Holden Road, Leigh, Lancashire, 9,00
Caire Energy, Calim House, 87 Dublin Street,
Edinburgh, 10,30
Macfariane Group Klienement, The Alerchante
House, 7 West George Street, Glargow, 12,00
Ouseans Most Houses, Cusean Elizabeth II
Centre, Broad Sanctuary, Westmineter, S.W.,
11,30

11.50 Protedfect, 26 Finsbury Square, E.C., 10.00 Robertald, Naw Broad Street House, 3 New Broad Street, E.C., 10.00 Taylor Nelson, Westpain, W., 11.30 Finals: Blacks Loieuro British her Trust Delyn Group Euclidian

Consolidated income statement

Interest received

Provision for bad and

Interest paid

doubtful debts

Other income

Total income

Taxation

Operating expenses

Operating income

Share of income of

associated companies

Earnings attributable to

minority shareholders

Preference dividends

Convertible bonds interest

Retained income for the year

By order of the board

Earnings attributable to

ordinary shareholders

Ordinary dividends

S Noik

Secretary

Debenture interest

Income before taxation

COMPANY MEETINGS: Amos, Amoo House, 25, Moorgate Fload, Rotherham, 3.00 Aspen Communications, 135 Bishopagate 10.30 Authorised Security, The Barber Surgisons' Helf, Monkwell Square, E.C., 11.00 Baird (W), The Bulmoral Hotel, 1 Princes Street, Edinburgh, 12.00 Capital Industries, Butterfly House, St Neots,

Earnings aftirificable to prolong shareholders (RD00)
Earnings per stare (cents)
Difuted earnings per share (cents)
Dividend cover (times)
Not carefully asset value per share on a difuted basis (cents)
Risk weighted assets (R millions)
Return on tolerage risk weighted assets (percent)
Eurich ander management (familions)
Weighted number of ordinary shares in espe
Weighted number of shares in issue on a difuted basis.
Total number of shares in issue on a difuted basis.

Total number of influential shares are save.

31 March 31 March

2587494 1387534

2 200 139 1 108 079

R000

387 355

40 953

346 402

404 918

751 320

434 151

317 169

68 207

248 962

34 797

283 759

15 100

268 659

10 003

11 764

11 892

235 000

108 459

126 541

The dividend is payable in the currency of the Republic of South Africa.

1995

279 455

38 130

241 325

259 205

500 530

292 **866**

207 664

48 441

159 223

26 580

185 803

18 221

167 582

10 000

10 082

147 500

73 050

74 450

R000

fincludes on balance sheek assets

Increase

86,4

98,6

38,6

7,4

43,5

56,2

50,1

48,2

52,7

40,8

56,4

30,9

52,7

(17,1)

60,3

16.7

59,3

Dividend announcement

A final dividend (No. 82) of 125 cents per share for the year ended 31 March 1996 has been declared payable to shareholders

registered at the close of business on 7 June 1996 (1995: 92,5 cents per share). Dividend cheques will be posted on or about

B.W., 12.20
New Quernessy Securities Trust, 7 New Etrect, 61 Peter Port. Quernessy, 12.00
Nurdin 8 Peacock, The Brewary, Chiswell Street, 6, 11.30
Princediale, 222 Gray's Inn Road, W., 12.00
Pennoo Brergy, The Marcille at Philodole, North Devotice Road, Aberdeen, 12.30
Senthy Ferming, Blagdon Horse Farm, Section Burn, Newcastis upon Type, 12.00
Täbbett & Britten, Founders Holl, 7 Cloth Folr, 6C, 11.00

Tablett & British, Foundair Hell, 7 Coort EC, 11:00 UniChaen, UniCham House, Cox Lane, Cheesington, Surrey, 2:30 Ventart Inv Trust, Burne House, 88 High Holborn, W.C., 3:30 BOARD MEETINGS: Pinels:
Angillar Water
Rorthadde
Bristol Evening Post
Davason kell
Stoel Authority
Tamerie
Tamerie
Tamerie
Abnous Poler

1996

235 000

447,0

419,8

3 909.7

70 361

Consolidated balance sheet

Capital employed

preference shares

in subsidiaries

Liabilities

Assets

Total capital employed

Deposits and other accounts

Cash and short-term funds

Associated companies

Fixed assets

Short-term negotiable securities

Advances and other accounts

Investment and trading securities

Shareholders for ordinary dividend

Ordinary share capital

Compulsorily convertible

Compulsorily convertible debentures

Preference shares and convertible bonds

Interest of minority shareholders

14.949

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52 573 022 44 406 742

63 373 817 53 284 084

68 944 673 60 000 000

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31 March 31 March

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47 175

656 526

503 353

1996

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404 175

373 058

69 249

2 013 211 1 652 330

3 073 568 2 259 025

53 824 718 12 958 706

56 967 535 15 264 906

28 229 520 4 532 792

15 923 591 2 119 615

8 3 3 3 5 0 4 5 7 8 8 3 2 7

3 162 430 1 664 293

56 967 535 15 264 906

20 May 1996

1 060 656

257 834

Museum, Coventry Ro. West Miclands, 11.30 Beauford, 21 west Michends, 17, 1900, Bickernini, Sollma West Michends, 11,30 Beautiond, 2 Liston Square, Loeds, 11,00 Biddon, Carr Hd, Doncestor, 12,00 City Centre Restaurants, The George Inter-Continental Hotol, 19-21 George Street, Ecthourgh, 11,00 French Commettion, 1

E.C., 10.30
House of Freer, The Queen Elizabeth II
Corderence Censes, Broad Sanchusy,
Westmanster, S.W., 11.00
Jealcane Group, Sockford Hall Hotel,
Woodbridge, 12.00

Kleinwort Emerging I Kones Liberalization London inti Mid-Kent South West Water

12.15 BOARD MEETINGS: Finals:

um, 30 Buckingham Gate, 8.W., 12.30

Audited group results for the year ended 31 March 1996

Comment Invester has continued its unbroken record of strong growth, delivering a 59% increase in earnings attributable to ordinary shareholders of R235,0 million. After recognising ed in respect of the Sechold minorities buy out and the issue of convertible bonds during the year, diluted earnings per share rose by 35% to 419,8 cents. These

results reflect a 10 year compound growth rate of 29,3%. Net interest income grew by 38,6% to reach R387,3 million, in an environment of tighter margins. This reflects strong organic asset growth across all the group's banking divisions and a contribution from the UK based Clive Securities and Money Brokers Group. Provision for bad and doubtful debt charges increased by a relatively low 7%. Sound credit management and a favourable economic environment contributed to an increase in the quality of the group's loan portfolio.

Other Income grew by 56,2% to R404,9 million. This represents strong performances in the group's asset management, property trading, and investment marketing divisions as well as sound performances from the group's investment banking activities and from the newly acquired equities trading group. Although the conditions for the group's securities activities improved during the second hall of the year, the difficult conditions experienced early in the year resulted in a reduced contribution from these activities. It was particularly pleasing to note a 62% increase in the annuity component of other income to R189 million. Despite arbuty component of other income to KTB million. Despite a 48,2% increase in operating expenses, the group's contribution per employee rose by 28,1%. The increase in operating expenses arises mainly through acquisitions, organic growth in activities and the enhancement of the group's lechnological infrastructure. The increase of 30,9% in the group's share of income of associated companies evidences sound growth from the group's associates, Fedsure and Bidcorp.

At year end, total on balance sheet assets exceeded R57 billion, while total funds under management trebled to exceed R70 billion, it is important to note that these Increases arise mainly through the inclusion of R38,7 billion of liquid arise mainly through the inclusion of R38,7 billion of liquid assets arising from the Chive Securities group. Due to the low risk weighting of these assets, little effect arises on return on average risk weighted assets. The organic growth in assets over the year was 19,1%. The balance of the premium on acquisition of subsidiaries amounting to R473 million was written off against reserves. Total shareholders' funds at the end of the year stood at R3,1 billion. The major source of the increase of 36% was the successful issue of a \$100 million optionally convertible bond by the group. This bond was four times oversubscribed and followed the raising of a 3 year syndicated loan of \$50 million. syndicated loan of \$50 million.

During the year a number of steps were made lowards Investec's international expansion objectives. The bank acquired Clive Discount House Limited together with its subsidiary Clive Agency Bond Broking Limited. This group is now known as Clive Securities Limited and before the year end acquired the business of Cazenove Money Brokers. These two acquisitions cost £63 million and together have enhanced the group's position as a niche player in the UK securities market as well as its capability to distribute South African products in Europe. The group has also registered, and commenced operating through Investec Bank (Jersey) Limited. Following the deregulation of The Johannesburg Stock Exchange, Investec acquired the stockbrokers I Solms and Company and Investec subsidiary NDH Bank Limited acquired the business of Ryan Anderson & Company Inc. The Johannesburg Stock Exchange, Investec subsidiary NDH Bank Limited acquired the business of Ryan Anderson & Company Inc. The Johannesburg the name of Investec Equities. former now trades under the name of Invested Equities Limited. During January Investec acquired the minority interest in the Sechold Group lor a consideration of

The year ahead promises to be one in which Investec's asset

base will grow lurther both domestically and internationally, entrenching the bank's position as a leading investment and private banking group. The directors and management are confident that the group will continue to achieve growth in earnings and dividends in line with historic results. Bas Kardol retired as chairman of invested at the year end and he is succeeded by Hugh Herman, previously chief executive and deputy chairman. The board recognises the outstanding contribution which Bas Kardol made to the growth of Invested during his many years as chairman of the group.

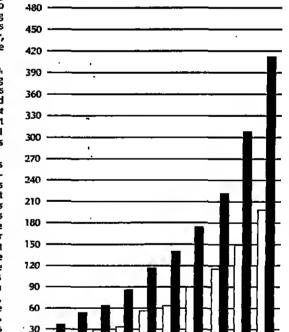
B Kardol

Chief Executive

Incoming Chairman

H S Herman

Earnings and dividends (cents per share)



Dividends per share

Earnings per share (fully diluted)

Ten year compound growth in dividends per share Ten year compound growth in diluted earnings per share 29,3% per annum.

Registered office Investec Bank Limited (Investec) Registered Bank stration Number 04/02833/06 55 Fox Street

Transfer secretaries Mercantile Registrars Limited 6th Floor, Mercantile Building 94 President Street Johannesburg 2001 PO Box 1053 Johannesburg 2000

Johannesburg 2001

Directors: H 5 Herman[†] (Executive Chairman) 5 Koseff[†] (Chief Executive) 8 Kantor[†] (Manaeine) A t Basserabie H K Davies G H Davin D E Jowell IR Kantor B Kardol* D M Lawrence[†] DH Mitchell Dr M Z Nkosi & Tapnack[†] PR5Thomas

Executive Dutch

On behall of the board Outgoing Chairman S Koseff

Po

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Figure 1

Howell Comments of the Comment

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Global Investor / Gerard Baker in Tokyo

The semiotics of the mega-loss

accounting are rather different for banks than for most other companies. When 8 car maker or steel manufacturer reports its worst ever loss, it is a fair bet that it signals a sudden crisis. Usually, external events have conspired with poor man-agement to produce the deficit, and a prolonged period of uncertainty follows.

But for banks, especially Jap-anese ones, losses signal something different. They often represent a conscious management decision to clean house, at a time chosen by them, a change of policy as much as a change of fortune. So it is with Japan's banks this summer. Last Friday the nation's largest lenders, the city banks, reported between

them pre-tax losses worth a

combined Y1,500bn (\$14.3bn)

for the year to the end of March. Yesterday the trust banks and long-term credit banks announced more. In all, the big 21 banks lost nearly Y3,000bn - a sizeable sum to be poured away in one afternoon with a few strokes of the accountant's pen.
It is the sheer scale of those

losses that has impressed many observers of the banking system. The beleaguered banks, it is claimed, bave finally bitten the bullet of bad loans accumulated during the collapse of the property market that began five years ago. Having done so, they have gone soms way to dispelling the large cloud of uncertainty hovering over the financial system and the economy as 8 whole.

more than half of the remaining irrecoverable debts in the Adding to the big 21 banks the thousands of regional and smaller banks throughout the country, the ministry says that

sheet clean-up. Altogether, the 21 leading banks wrote off

about Y10,000bn in bad loans.

According to the finance minis-

try, the move has wiped away

last September, financial insti-tutions had Y38,000bn in total non-performing loans. Of those, about Y7,000bn were covered by bad loan reserves. The ministry estimates that taking into account a reasonably conservative recovery rate of all loans, they still had to clear a total of Y18.5bn in probable extra losses.

With their aggressive accounting for 1995-96, banks have sliced away a large chunk

of that. The MoF now says needed for the write-offs. That total outstanding bad loans as performance will not soon be of the end of March are Y34,700bn, and that loan loss reserves now total Y12,500bn. On the same assumptions about recovery rates, the remaining gap to be filled is now Y8,300bn. On that basis, the ministry says, the whole asset quality problem should be largely eliminated in the next year or two.
But there are two good rea-

sons to doubt that sanguine The first is that 1995-96 was a quite exceptional year for banks. Thanks to the lowest short-term interest rates in the country's history, and a steepening yield curve, the big 21 banks were able to make their largest ever operating profit -Y4,800bn - a sum that pro-

vided almost half the money

repeated. Short-term interest rates bave almost certainly now hit bottom. Though they may not rise much in the immediate future, they will surely not fall again - and it is the dynamics rather than the statics of interest rate changes that most affect banks' earn-

In addition, the yield curve is now unusually steep, as the Bank of Japan has held down short-term rates while market expectations of future inflation have pushed bond yields higher. A flattening, rether than a further steepening of the yield curve is, therefore, more likely in the next year and that too will make it harder for banks to earn such impressive profits.

mately bigger problem is that Banks were further helped

Thailand

A. Total non-perform

(A-B)

B. Specific loss loss provisions

Total return in local currency to 23/5/96 Japan's bad debt 12.504 6,957 22,178 31.125

Estimated amount of bed loan to be dispensed of 8.319 18.587 8,407 5,127"

last year by a strong stock market. Equity prices rose by more than 25 per cent in the year 1995-6. That gave banks a valuable cushion - they count up to half of their capital in the form of unrealised equity gains, so a soaring market enabled them to shoulder the hig losses from write-offs without endangering their capital

But the second and ulti-

there is no solid evidence yet that the volume of new bad loans is really declining sharply. According to the finance ministry, the total figure for bad loans declined by more than Y3,000bn between September and March - but at least Y5.000bn was directly written off the balance sheet by the big banks. That suggests the gross bad loan figure was in fact still rising. The difficulty is still one of

opacity. Problems continue to crop up at Japan's banks from hitherto barely-heard-of affiliated companies, related smaller financial institutions and other lenders who, in the last resort will rely on bigger banks for help. The scale of these problems suggest that the great bad loan clear-out of 1996 will prove to have been a valuable first step out of the mire, but probably not much more than that.

COMPANY RESULTS DUE

Sharp rise likely for Japanese electronics

Toshiha and Mitsubishi Electric, the Japanese integrated electronics makers are today expected to announce sharply higher earnings in the year to March as a result of strong microchip prices. Analysts warn potential gains would be offset, in part, by a poor performance in other divisions such as home elec-

Hitachi's pre-tax profits are expected to be between Y345bn and Y360bn (\$3.2bn-\$3.4bn), compared with Y283hn the previous year. Turnover is expec-ted to reach between Y7,930bn and Y7,950bn, np from Y7,590bn. Hitachi itself forecast

an impressive leap forward in

the process of the balance

Analysts said Hitachi's earn ings growth came mostly from microchip sales, while home electronics remained stagnant amid restructuring. Among the electronics makers. Hitachi had the largest semiconductor chip sales and exports at the group level, analysts said. "Hitachl's growth simply comes down to semiconductor sales," said Mr Etsuro Ogisu of Lehman Brothers.

Mr Azuma Masatomo of Yamaichi Research Institute estimated Hitachi's operating loss in the consumer electronlcs division at about Y15bn, down from Y30.1bn a year ear-lier. AFX Asia, Tokyo

ING: The Netherlands-hased banking group is expected to report first-quarter net profits on Thursday of between FI 512m and FI 577m (\$300m-\$338m), or between FI 2.04 and FI 2.15 a share, compared with

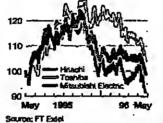
pre-tax profits of Y340bn on F1520m, or F11.92 a share, a revenue of Y7,900bn. F1520m, or F11.92 a share, a year earlier, according to anayear earlier, according to analysts' forecasts.

Analysts expected ING's banking arm to show robust profit growth, largely as a result of the favourable climate on financial markets. ING's insurance business

should benefit from market trends. "The share still has room to outperform the rest of the financial sector. The benefits of the Barings acquisition, for example, are still not yet fully realised," said one ana-AFX Netos, Amsterdam Fortis; The Netherlands-

based financial services group is expected to report first-quarter net profits today of between Ecul34m and Ecul37m (\$164m-\$168m), compared with Ecu123m a year earlier, according to analysts. Net profits for Dutch parent company Fortis Amev are expected to rise to Fl 150m-Fl 154m, or Fl 2.06-Fl 2.10 a share, compared with

Share prices relative to the



F138.7m, or F11.94 a share, a Analysts expect Fortis's profit growth to be underpin-

ned by stable growth in its life insurance businesses and a continued recovery in earnings from non-life business. AFX News, Amsterdam

■ Nissan: The Japanese motor group is today expected to report a pre-tax loss of between

UK water FT-SE-A Water Sector 2,300 -2,000 1,900 -

1,800

Y75bn and Y100bn for the year to March mainly because of losses offshore, especially at its Mexican unit. Nissan has not released a forecast for the year. Last year Nissan reported a pre-tax loss of Y223.26bn on revenue of Y5,830bn, Analysts sald the expected improvement in the figures reflects stronger parent company earnings after improved domestic sales. "Mexico Nissan is the key

A business friendly govern-ment is not a prerequisite for

privatisations but it is helpful

to have one. The sell-off of

Sosin's public sector began in

the late 1980s with the Social-

ists, and the new centre-right

government intends to step up

It is backing sell-offs

because, like the previous

administration, it is committed

to monetary union and views

privatisation as a sbort cut to

In some cases, the disposals

are simply a matter of finish-ing off the privatisation pro-cess. During the past year state-owned equity has been

reduced to 10 per cent in Rep-

sol, the oil, gas and chemicals

group, to 21 per cent in Tele-

fomica, the telecoms operator,

and to 25 per cent in Argen-

taria, the banking corporation.

tion is more complicated

because it requires a reassess-

ment of the company's role in

the public sector before it is

sold. The bugely profitable

In others, further privatisa-

reducing the state deficit.

negative factor to Nissan's consolidated earnings but is expected to be offset in part by improved parent level earnings," an analyst at Daiwa Research Institute said. He forecast Nissan's annual pretax loss at Y75bn on revenues of Y5.900hn. The lower output and poor earnings of the Mexican unit because of the devaluation of the peso would weigh heavily in the accounts, analysts said. Losses are also expected from other overseas units in Spain, the UK and

Analysts said the increase in domestic sales will mainly reflect the installation of extra safety equipment in new models at no extra cost, which put Nissan ahead of Toyota in the first half. AFX Asia, Tokyo

Anglian Water: The UK utility kicks off the results season for the water sector tomorrow. With the sector underperforming the market by some 10

Endesa group, the dominant electrical utility which is 66

per cent state-owned is a case

Endesa presents problems

because it is the cash-cow for a

clutch of lossmaking compa-nies and because it is in the

middle of a diversification that

has involved hig investment in

petroleum, mobile telephony

There is a strong lobby seek-

ing the break-up of Endesa

although the new industry

minister, Mr Josep Pique, bas

indicated that he opposes the

However, before any of these

jewels in the state's corporate

crown are presented to the

markets there are two issues

that have to be resolved. The

first concerns the appointment

of new chief executives to the

partially privatised companies and whatever business strate-

gies they might outline. The secood has to do with the cre-

ation of a privatisation office

unbundling of the group.

and cable television.

in point.

per cent in the past month analysts are expecting relatively large dividend increases. Nat-West Markets believes growth of less than 10 per cent will be "atypical".

Anglian is expected to announced pre-tax profits of about £235m (\$357m), compared with £216m last year, which was flattered by a £14m rebate package. The group's non-core process engineering and international operating activities are expected to make a loss of about £5m for the full year. A total dividend of just over 29p ls expected, up 11 per cent from last year (26p).

The blds for South West Water by rival ntilities Severn Trent and Wessex are being considered by the Monopolies and Mergers Commission, Analysts believe the company will want to keep some powder dry for its defence when it announces lts results on just over £100m will represent from £15.2m.

Argentaria already has a

new president, stockbroker Mr

Francisco González, and be has

already signalled that he

intends to limit voting rights

The likelihood is that, under the spoils system that accom-

in order to ward off takeovers

panies the arrival of a new

administration, new bosses

will be named to run Telefon-

lca and Repsol but that, in con-

trast Mr Feliciano Fuster the

chairman of Endesa, will

remain at the helm as he is

due to retire within the next

Repsol bas unsettled the mar-

kets for analysts award high

marks to chairman Mr Oscar

Fanjul. The sbare price has

also been rattled for technical

reasons - the Barcelona

savings bank La Caixa

announced last week that it

bad completed the acquisition,

on the open market, of a 5 per

cent stake in Repsol - and by

The prospect of a change at

two years.

and guarantee stability.

Compiled By AFX News an increase of about 3 per cent on last year's pre-exceptional £98.7m, However, a dividend increase of about 7 per cent is predicted with a total of just

over 29p, up from 27.3p. Forecasts range widely for United Utilities when it also reports on Thursday as analysts complain that comparisons with last year are "meaningless" because of the contribution from Norweb, the regional electricity company acquired at the end of last year. A post-exceptional profit of some £352m with a dividend of about 32p is expected.

London International Gronp: The UK condom and rubber glove manufacturer, which is two-thirds through a three-year recovery programme, is expected to report steady progress in its annual results. Analysis are forecasting pre-tax profits for the year Thursday. Pre-tax profits of to March 31 of £25m-£26.5m, up INTERNATIONAL EQUITIES By Tom Burns in Madrid

A change at Telefònica begs

the question of whether the

operator will, under a new

management, continue the

aggressive expansion in Latin

America that was put in motion by its current chair-man Mr Candido Velazquez.

There are also doubts over

whether the Popular party will

stick to the policy of a full deregulation of domestic tele-

coms by 1998 that was adopted

The privatisation office.

whose chief executive has still

to be appointed, is, something

of an unknown quantity. It is

not clear whether it will have

powers over all companies

linked to the public sector,

some of which are controlled

by the finance ministry while

have a say in the privatisation

of water companies, railways,

motorways, port authorities

and airports which are run

either by the development min-

istry or by regional govern-

others are run by the industry ministry, nor whether it will

by the Socialist government.

CONTRACTS & TENDERS





Companhia Vale do Rio Doce

MUNISTÉRIO DE MINAS E ENERGIA ANNOUNCEMENT OF PRE-QUALIFICATION

INTERNATIONAL TEMPER SUPOC Nº 002/96
Through its Ponts da Madeira Marine Terminal Superintendency Companhia Vale do Río Doce publicly announces that in compliance with Law No 8,666/93, republished on a July 1994, it will hold a "Technique and Price" type International Tender for Bids, to contrac a company for the supply and assembly of a conveyor belt transportation system with a rated capacity of 8,000 tons per hour of iron ore, including: engineering, design, fabrication, supplies, civil

construction and assembly. Period: 18 months.

Companies complying with the requirements set out below may participate in this Tender. Companies in consortia must comply with Brazilian legislation on this matter as follows:

 a) have the minimum capital, duty registered with the Board of Trade in the State where their head offices are located, or have a Nat Worth equivalent to R\$ 1,500,000.00 (one million five hundred thousand b) precent a Certificate proving that they have already supplied or have

under their technical responsibility the fabrication and design of a conveyor belt transportation system with a minimum hourly capacity Companies that participate through licensers or associated

companies should submit documentary proof of such scenes or affiliation, together with the Certificate covered in item b) above. Documentation submitted by non-Brazillan companies should be ted into Portuguese and be duly notarized by a Brazilla.

Companies should automit the above-mentioned documentary proof at the Supplies and Contracts Building - Avenida dos Portugue 1996; tel.: 55 (096) 218 4984 / 4987; Fax: 55 (096) 218 4986. Companies that are pre-qualified in terms of this Announcement will be notified, and will have access to the documentation for this Tender

for reading and/or obtaining against documentary proof of payment of the equivalent of R\$ 500.00 (five hundred Reals), to be paid into that Banco do Brasil S.A., agency 0020-5, account Nº, 101,243-6, or at tha CVRD Treasury Department. Companhia Vale do Rio Doce reserves the right to revoke, annul

suspend or cancel this Tender at any time and at its sole discretion with the participants therein having no claim to any rights, advantages nts and/or compensation.

pp Sectorial Tender Commis São Luis, Maranhão State, Brazil,

The Financial Times plans to publish a Survey on

World

on Friday, July 5.

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Industry

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that has been promised by the disappointing first quarter

Spain steps up public sector sell-off

	Lightes at bosenmeses	บร	Day's	Pound			Locat	Local	Gross	US	Pound			Local		CLEAN ME	Year
	show number of lines	Dollar	Стапра	Sterling	Yen	DM	Ситепсу	% eng	Drv.	Dollar	Sterling	Yen	DM	Currency	52 work	50 mask	
	of stock	Index	%	Index	index	Index	Index	on day	Yield	Index	Index	Index	Index	trdex	High	PDM.	ago (appros)
	Australia (80)	205,13	B.0-	201.03	139.82	164.38	172.40	-0.2	4.26	206.28	202 18	139.22	165.20	172.74			
	Austria (25)		-0.2	186,04	129.21	152.13	152.04	-0.1	1 84	190.24	186.46	128 40	152.36	152.26	212.18	162.68	
	Belgium (27)		-0.2	206.40	143.35	168.78	164.58	-0.2	4.05	211.11	206.91	142.48	169.07		188.28	168.11	189.61
	Brazil (28)		0.4	184.53	114.27	134.54	307.99	0.4	2.11	187.26	163.94	112.89		164.88	215.81	186.06	
ı	Canada (99)		0.3	160.61	111.69	131.50	183.34	0.2	2.33	163.56	16031	11039	133.95		171.06	123.87	149.44
	Denmark (30)		-0.3	290.11	201.49	237.23	239.63	-0.2	1.87	296.95	291.05	200.42	130 99		184.84	134.14	141,44
۰	Finland (23)		0.4	189.52	131.63	154.98	193.14	0.7	2.59	192.56	168 73	129.97	237.82		305,17	275.65	
	France (97)	-194.78	0.2	190.68	132.57	156.09	159.38	0.2	3.00	184.33	190.47	131.18	154.22 156.84	181,73	276,11	171.73	207.20
	Germany (50)	167.74	-0.8	164.38	114,17	134,42	134.42	-0.7	1.86	169 07	165.71	114.11	135,40	159.00	188.39	167.70	180.96
_	Hong Kong (59)		-0.1	424.21	294,62	346.89	429.91	-0.1	3.31	433.31	424 70	232.46		135.40	174.38	151.88	151.89
í.	Ireland (15)		-02	272.90	189.54	223.15	251.40	-0.1	3.41	278.91	273.37		347.03	430.33	451.19	348.81	365.03
	itsty (59)		-0.8	80.50	55.91	65.83	95.68	-0.7	2.29	82.78	81 13	188.25	223 38	251.76	280,08	222.97	222.97
L	Japan (481)	154 63	-0.6	151.54	105.25	123.91	105.25	0.2	0.72	155.60	152.51	55.87 105.02	66,30	96.37	84,53	67.22	74.34
п	Malayois (107)	554 33	0.8	553.04	384 10	452.23	541.23	0.8	1.65	559.59	548.48	377.69	124.62 448 17	105.02	164,68	137.76	148.68
U	Mexico (18)	_1308.59	-0.2	1282.40	890.68		10593.94	0.1	1.33	1310.77	1284.73	884 69		537.18 10579.34	585.09	425.77	529.99
		295.64	-02	289.13	200.81	236.43	232.18	-0.1	3.09	295.60	269.73	199.51	236 74		1325.65	791.99	1004.31
	New Zealand (15)	79.52	-0.2	77.93	54.12	63,72	81,72	-0.2	4.45	79.68	78.10	53.7B		232.45	295.60	243.31	243.31
	Norway (35)	248 37	0.1	241.44	187.68	197.43	220,57	0.1	2.06	246.15	241.26	166 13	63.82	61,84	85,49	75.26	82.08
	Singapore (44)	422 52	1.0	414.00	287.58	338.59	274.80	1.1	1.39	418.15	409.B4	262.23	197,14 334 88	220.32	255.75	218.47	218.47
	South Africa (45)	352.82	0.6	345.75	240.14	282.73	338.41	0.6	2.14	350.87	343.70	235.88	280.84	271.81	465.21	355.81	403.22
	Spain (37)		0.0	174.04	120.88	142.32	172.77	Q. T	3.21	177.59	174,06	119.86	142.23	334.56 172.67	437.78	338.81	340,63
ď	Sweden (45)	348,57	-0.8	341.59	237.24	279.33	352.39	-0.8	2.29	350.58	343.62	236.62	280.78	355 38	179.85	145.15	146,81
ı.	Settlement (38)		8.0	227.06	157.70	185.67	181,70	0.7	1.63	230.28	225.71	155.43	184,43		358.08	256.60	257.28
	Tholand (46)	177.11	0.8	173.57	120.55	141.93	174,12	0.B	1.89	175.75	172.26	118.62	140.76	180.38	252.34	190.52	190.52
	United Kingdom (201)	230.34	0.1	225.73	158.78	184.5B	225,73	0.1	4.10	230.10	225.53	155.30	184.28	172.69 225.53	193.95	145.74	188.58
	USA (626)	275.24	0.3	270 71	186-01	221.36	276,24	0.3	2.14	275.38	269 59	185.85	230.53	275.36	237.43 276.24	210.29 214.27	212.18
	Acronicus (771)	252.20	0.3	247.25	171.72	202.18	212.11	0.3	2.14	251.51	248,51	-40.75				214.27	216.20
	Europe (715)	207 55	-0.1	203.43	141.29	168.35	184.64	0.0	3.04	207.72	203.59	1 <i>6</i> 9.75 140.20	201.43	211,44	252.40	196.45	198.48
	Nortic (136)	200 01	-0.3	283.01	203.51	239.60	265.19	-0.4	2.24	299.99	294.03	202.46	166 38	184.73	211,35	184.63	184.63
_	Pacific Bosin (832)	167 91	-0.5	184.57	114.30	134.57	112.70	0.2	1.17	168.74	165.39		240 26	266.37	302.70	247.58	247.58
1	Euro-Pacific (1547)	184 74	-0.3	180.65	125.47	147.72	142.42	D.1	2.05	184.87	181.20	113 89	135.14	116.45	177.01	148.88	158.67
	North America (725)	269.21	0.3	263.81	183,29	218.80	268.66	0.1	2.14	268.44	263.11	124.78 161 18	148 06	142.29	190.57	166.51	169.39
П	Europe En. UK (514)	189 GR	-01	168 18	129.37	152.24	156.94	~0.1	2.46	190.28	786.50	128.42	214,99 152,39	267.81	269,33	209.70	211.57
П	Pacific Ex. Japon (351)	. 291 11	0.1	285.28	196.13	233.28	251.02	0.2	3.03	290.81	285.03	196.28	232.90	160.13 250.55	192.57	165.71	165.71
ľ	World Ex. US 11737)	185.70	-0.2	181.98	126.39	148,81	146.93	0.1	2.05	185 16	132.46	125 64	149.09	146.77	296.68	243.58	255.43
u	World Ex. UK (2162)	212.12	0.0	207.68	144.38	189.98	179.83	0.2	1.90	212.15	207.93	143 19	169.81	179.46	191.55	167.36	170.27
	World Ex. Japan (1882)	245,44	0.2	241.51	167,73	187.49	234.57	0.2	2.49	245.99	241.11	166.03	197.01	234.12	213.05	180.73	181.43
	The World Index (2363)		-0.0	209.54	145,53	171.34	184.18	0.2	2.09	213.83	209.58	144,32	171.25	183.60	246.47	204.63	204,63

TOTAL TOTAL COMMERZBANK

PAYMENT OF DIVIDEND

NOTICE IS HEREBY GIVEN to shareholders that following a resolution passed at the Annual General Meeting of shareholders held on May 24, 1996 a dividend for the year ended December 31, 1995 will be paid, as Irom May 28, 1996 at the rste of DM. 13.50 per share of DM. 50 nominal, against presentation of Coupon No. 63.

All Dividend paymants will be subject to a deduction of German Capital Yialds Tax at 25% and a solidarity surcharge of 7.5% levied thereon.

Coupons should be lodged with:

S.G.Warburg & Co. Ltd. Commerzbank AG, London Branch

The Board of Managing Directors

Frankfurt am Main, May 1996



Republic of Austria US\$350,000,000 Floating rate notes 1997

Notice is hereby given that the notes will bear interest at 5.48828% per annum from 28 May 1996 to 28 August 1996. Interest payble on 28 August 1996 will amount to US\$14.03 per US\$1,000 note,

Agent: Morgan Guaranty Trust Company **JPMorgan**

USD 125,000,000 -**FRN DUE 1997** Interest Rate, 6.02fo/% Interest Period: From 26/05/1996 To 29/11/1996 INTEREST PAYABLE Per USO 250,000.-Note: USD 7,742.47

Per USD 500,000.-Note: USD 15,484.94

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INTERNATIONAL DEBT MARKETS By Richard Adams and Samer Iskandar **Political doubts** cloud prospects in New Zealand

Naw Zealand's attractive with inflation at 2.1 per cent economic outlook may make it the pin-up star of economists the world over, but its govern-ment and Treasury must be scratching their heads over why its bonds suffered what one broker called a "bloodbath" late last week.

New Zealand is tha only

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member of the Organisation for Economic Co-operation and Development able to run budget surpluses, reduce net pub-lic deht and increase social spending, Mr Bill Birch, the finance minister, said, announcing his budget on Thursday. But despite that claim, the day following Mr Birch's hud-get saw yields at the long end of the bond curve close 25 basis points higher, while bonds at the short end finished about 15

year bonds closed at 203 basis points above the yield of their US counterparts, the widest spread since early 1992. Adding to the ugly picture for the local debt market was the 90-day bank bill yield finishing at 10.01 per cent, its highest close since the middle of May 1991, apart from a brief

basis points up in yield. Ten-

intra-day level of 10.05 per cent

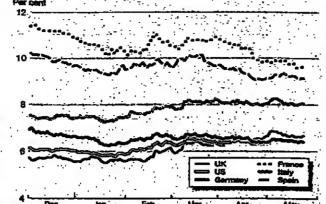
and an independent central hank committed to keeping price rises at 2 per cent or below, leaving spectacular real

Brokers can point to two reasons why the disparity exists between New Zealand's rosy fundamental outlook and the high yields being demanded by the market: political uncer-tainty, and a lack of liquidity. The ruling National party-led

coalition faces a general election in October, the country's first using proportional repre-sentation. The new electoral system, based on Germany's "mixed member" system, has led to some seismic shifts in the political landscape of one of the world's most stable twoparty systems.

The centre-right National party has seen its opinion poll ratings alip to 40 per cent, following growing support for the populist New Zealand First party. New Zealand First advocates altering the central bank'a aole focus on price stahility to include growth and employment as well, and is viewed as a real risk by the market.

"It's people pricing in politi-And all this in a country cal risk," one bond dealer said. proceeds to scale back its



DITEREST RATES AT A GLANCE

	USA -	Japan	Germany Fran	ce fally	. UK
Discount	5.00	0.50	2.50 4.90	9.00	6.00
Overnight	5.13	0.44	3.25 3.5	9.05	5.53
- Three month	5.17	0.42	3.21 3.7	5 8.87	6.08
One year	5.62	0.84	3.30 3.8	8.40	6.30
Five year	6.41	2.28	5.14, 5.4		7.58
Ten year	8.66	3.26	8.41 6.4	9.60	8.04
(1) Franco-Repo te	de (2) UK-Bree	rate. Sour	CO PARTIES.		

"It's enough of a threat that it's keeping people ont, and those that want to sell are finding it very difficult to find hids," he said.

Another problem is that the government itself is contributing to the lack of liquidity. In the budget the government announced the privatisation of the Forestry Corporation, owner of the largest Radiate pine plantation forest in the world, and plans to use the

planned issue of regular bonds from NZ\$2bn to NZ\$1bn, with the balance going to retire oneyear Treasury bills and early repurchases of July 1997 bonds. Ona trader said: "This may

be the last calendar year we have a government bond tender for a long, long time. Now we'll find out for sure if supply or liquidity is an issue of greater influence for hond prices."

Cades adopts a short-term bias

Cades, the French government After deducting the reimburseagency created to manage the accumulated debts of the social security system, has finalised lts borrowing plan in record time, less than one month after revealing its intention to tap the domestic and international debt markets for the equiva-

lent of FFr140bn. Short-term instruments will dominate the borrowing programme. Up to FFr90bn - or 64.3 per cent of the programme'a total amount matures in one year or less.

NEW INTERNATIONAL BOND ISSUES

| Same | Second | Sec

ment of nearly FFr11bn in principal, almost FFr80bn could require refinancing before end-June 1997.

However, the relianca on short-term instruments might be reduced if Cades were to increase the amount of its planned bond issues. Caisse des Dépôts (CDC) and

Société Générale will manage the issuance of the bonds, maturing in 2002 and 2007. The indicated amount is FFr25lm. On Friday, Cades launched

the final leg of its four-part financing scheme, a FFr50bn domestic commercial paper programme (billets de tresorerie), of which FFr35bn should be issued by the end of June.

The paper will be placed, starting today, by the following institutions: BNP, Banques Populaires, CDC, Credit Agri-cole, CCF, Credit Lyonnais, Indosuez, Louis Dreyfua Finance, Paribas and SocGen. Meanwhile, a two-tranche FFr60bn revolving credit facility arranged by six banks was

reported to be oversubscribed, one week after it went into syndication. Cades also released last Friday the list of dealers in a global commercial paper programme arranged by Lehman Brothers. The euro-CF dealers are Lehman, BZW. Deutscha Morgan Grenfell Goldman Sachs and SBC Warburg. Dealers in the US tranche are Lehman, Goldman Sachs and Merrill Lynch. Paying agent is Chase Manhattan.

NOTICE OF EARLY REDEMPTION

To the Holders of

REPUBLIC OF ITALY

US\$2,000,000,000 Floating Rate Notes due 1998

NOTICE IS HEREBY GIVEN that all of the outstanding Notes will be redeemed by the Lauer on June 28, 1996 (the "Optional Redemption Date"), pursuant to Condition 7(b) of the Terms and Conditions of the Notes. The Notes will be redeemed at their principal amount together with accraced interest to the Optional Redemption Date.

Morgan Guaranty Trust Company of New York 60 Victoria Embankment London ECAY OJP

Payment of principal and interest will be made against pre-and surrender of the Notes and interest coupons appertaining to the specified office of any of the Paying Agents listed below.

CANADIAN DOLLARS DAMESH KIRONES

poon by ment Beriefit 30bn War 2000 (ml) 100,000 ets memazonia UBS Europe Mildo Europe Yamaichi intiEurope Yamaichi intiEurope Dalum Europe Soldman Sactus

on very an long recognition when review continues of 2000 to 1.50 feet 1 to 6 cost compared by 3 - 2000 to 1.50 feet 1 to 7.50
Notice To the Holders of

THE OUTSTANDING

\$65,009,000 0.25%, Convertible Bonds

dec March 12, 2006

ng Display Devices Co., Ltd. (the "Company")

NOTICE IS HEREBY

GIVEN to the holders of the

Bonds that, pursuant to the pro-visions of the Indenture constiming the Bonds, the conversion price of the Bonds has been ad-

77,498 per share. The new conversion price will become effec-

tive retroactively to April 11, 1996. This adjustment has been made as a result of a free distribution and rights issue of the Company's ahares. The Board of Directors' meeting of the Company's abares.

pany approved such free distri-bution and rights issue on Febru-

ed from Won 86,760 to Won

CS FIRST BOSTON GROUP

CS First Boston Finance, B.V.

US\$200,000,000 Guaranteed subordinated floating rate notes 2003

Notice is hereby given that for the interest period 28 May 1996 to 26 November 1996 the notes will carry an interest rate of 5.875% to US\$29.70 per US\$1,000 no and US\$297.01 per US\$10,000 note and US\$2,970.14 per

Agent: Morgan Guaranty Trust Company **JPMorgan**

May 17, 1996 Lloyds Eurofinance N.V. £200,000,000 FIRST BANGKOK CITY BANK LINGTE

arcinteed Floating Rolls Notes Due 1996 US\$110,000,000 For the three months May 24, 1996 to August 23, 1996, the Notes will carry an interest risk of 8.25% p.a. with a coupon amount of 277.70, in respect of 05,000 nominal of the Notes and 1996 40. £388.49, in respect of £35,000 nominal of the Notes payable on

MARGINED CURRENCY DEALING

By: Morgan Guaranty Trust Company of New York as Fiscal Agent D

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Dated: May 28, 1996

ne des Arts 35

Thai reshuffle gives traders cheer

In a market like Thailand's. often driven more by senti-ment than fundamentals, this week's cabinet reshuffle by Prime Minister Banharn Silpaarcha is likely to bring some much-needed joy to the short-term punters who gather in the comfortabla trading rooms around town.

EMERGING WARKETS By Ted Bardacke

Already the market has surged nearly 3.5 per cent in the past three days, on the expectation that some of the cabinet's more dubious characters will be sacked, heavilycriticised Finance Minister Suraklart Sathirathai will not be reappointed after resigning yesterday and that Mr Banharn'a seven party coalition looks to remain intact.
Important, not for the coali-

tion's overall stability but rather for market reaction, the Palang Dharma party, led by Mr Thaksin Shinawatra, the billionaire telecommunications tycoon, looks set to remain a government ally as cabinet members "unacceptable" to Mr Thaksin and his morally righteous party are unlikely to survive the reshuffle.

As one Thai analyst put it: "If Thaksin likes tha new cabinet, so will the market." But the enphoria will be

short-lived, most analysts say. There is a growing fear in the market that cash-flow problems at property companies will depress earnings growth at finance companies and, to a lesser extent, commarcial banks, which together account for 39 per cent of the market'a entire capitalisation.

High interest rates, pushed by a central bank still trying to engineer a soft landing for a booming economy, are the big external problem plaguing the highly-leveraged property sec tor. Poorly planned residential developments sold to speculators rather than potential occupants are hurting the rate of property transfers, the point at which a developer recovers 70 per cent of the purchase price of a particular unit. "Every time monetary policy

has been tightened it's another blow to these companies," said Mr Graham Catterwell, Head of Equities at Deutsche Morgan Grenfell. "When rates finally ease we will see which of these punch-drunk boxers are still

Property loans account for

company lending and some finance companies have trouble collecting some of their loans. According to Wall Street non-performing loans as a percentage of total loans grew at 22 of the 36 finance companias the brokerage Commercial banks have less

exposure to the property sector, just under II per cent of the loan portfolio at the top 10 banks, according to Merrill Lynch, But individual banks' coverage (defined by the brokerage as profit plus unrealised portfolio gains plus cumulative provisions as a percentage of real estate exposure) varies widely from bank to bank: state-owned Krung Thai is well covered at 83 per cent; Bank of Avudhya is less so at 11 per cent. Most international investors

bave been avoiding the property sector for quite some time now. But any significant exposure to the Thai equity market inevitably involves some positions in the finance companies and banks. The problem for investors is knowing which finance companies and hanks are

potentially in trouble.

This is incredibly hard to determine. Finance companies claim that property loans are carefully scrutinised and backed by sufficient collateral. But it is very difficult to

confirm these claims, as finance company disclosure is irregular and does not include collateral levels. Individual circumstances, such as whether collateral would actually be disposable at valued prices, only complicate matters further.

One confusing statistic is tha level of deferred income from loans which are non-performing. A high level of deferred income could be a sign of problems. But because different companies have different definitions of what a non-performing loan is, it could also be a sign of a conservative and healthy accounting and provisioning

Under normal circumstances, investors rely on the central bank to monitor the details of lending to the property sector - whether

loans are dangerously concentrated in one area or to one company pre-screening of a particular institution'a credit plan. Analysis generally give it high marks for moving to rein in the most speculative forms of real estate lending — golf courses and holiday resorts -

over the past two years. But the near collapse, in part due to dubious lending practices involving land specula-tion, of the Bangkok Bank of Commerce - supposedly under strict central bank scrutiny for more than a year - a couple of weeks ago has eroded much of that confidence.

"Where was the regulatory authority on that one," asked one foreign broker, who admitted his impression of the health of property and finance companies largely depended on what I hear".

"We all assume there are no more Bangkok Bank of Commerces out there, but we really don't know. People might be ignoring the truth of how bad

things are," he said. The eventual hope for the market is a substantial interest rate cut. A 50 basis point cut in lending rates late last week offered aome hope, hnt the move appears to be merely an attempt to shore np poor loan growth rates. A central bank spokeswoman says the bank has no plans to ease monetary policy until the inflation rate posts several straight months

landor.		Week on week		Month on month		Year to date	
Index	24/5/96	Actual	Percent	Actual	Percent	Actual	Percent
World (395)	151,84	-0.89	-0.42	-0.99	-0.61	14,28	+9.66
Latin America				,			
Argentine (22)	103.67	-1,55	-1.47	+2.97	+2.95	+10.89	+11.74
Brazil (23)	222.31	+1.13	+0.51	+13.38	+6.40	+36.22	+19.46
Chile (16)	184.99	-3.70	-1.96	-1.86	-0.99	-10.67	-5.46
Colombia (14)	171.70	+0.12	+0.07	+8.68	+5.32	+7.45	+4.54
Mexico (23)	88.08	+2.39	+2,79	+0.87	+1,00	+14.48	+19.68
Peru(14)	1,045.32	+13.60	+1.32	-90.61	-7,98	-23.63	-2.21
Latin America (112)	138.91	+0.77	+0.55	+3.23	+2.38	+15.77	+12,81
Europe							
Greece (15)	105.79	-1.98	-1.B4	-1.79	-1.67	+7.82	+7_96
Portugal (20)	127,70	+2.03	+1.61	+3.73	+3.01	+11.25	+9.66
Turkey (26)	104.20	-6.40	-5.79	-11.44	-9.89	+21,40	+25.85
South Africa (32)	143.69	-2,04	-1.40	-8.96	-5.B7	-9.69	-6.32
Europe (96)	120,13	-2.12	-1.74	-6,05	-4.80	-1,41	-1,18
Ania							
Chine (24)	43.73	+0.66	+1.53	+1.15	+2.69	+3.41	+8.46
Indonesia (32)	151.96	-1.27	-0.83	-4,10	-2.82	+13,32	+9.61
Koree (23)	129.78	-5.24	-3.88	-15.46	-10,64	-7.13	-5.20
Malaysia (24)	262.21	+1.68	+0.72	+0.85	+0.32	+35.25	+15.50
Pakteten (14)	90.29	+0.49	+0.55	+10.35	+12.95	+16.70	+22,89
Philippines (14)	330.B4	+9.76	+3.04	+27.86	+9.12	+71.67	+27.65
Theliand (25)	252,42	~1.6B	-0.74	-4.77	-1.85	+0.54	+0.21
Telegan (31)	161,44	-4.33	-2.61	-2.69	-1.64	+30,61	+23.40
Asia (187)	227.89	-1.64	-0.71	-3.00	-1.30	+24.85	+12.24

The core strength of DGZ International is expertise in the Euromarkets built up over 25 years of servicing public-sector

earnings development. For the year, the Bank achieved double-digit growth in its Operating results.

BUSINESS YEAR 1995

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borrowers, financial institutions, internationally active corporations and institutional investors.

In 1995, we judiciously expanded our lending volume. Customer deposits surged by nearly one-fourth. Higher interest and commission income as well as successful trading activities contributed significantly to our good

Backed by a quarter century of Euromarket experience in Luxembourg, a commitment to resourcefulness in serving our specialized clientele, and the excellent results posted in 1995. DGZ International is well positioned for quality expansion of its wholesale banking operations in the years

DGZ at a glance	19 9 5	1994
DM million		
Total Assets	9,432	9,191
Due from Banks	4,030	3,984
Due from Non-bank Chents	4,025	3,845
Bonds and other Fixed-Income Securities	1,149	1,162
Deposits by Banks	3,667	4,493
Deposits by Non-bank Clients	5,005	4,124
Capital and Reserves	224	209

A copy of our annual report is available upon request.



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NEW YORK By Maggie Urry

As the US markets return from the Memorial Day weekend.

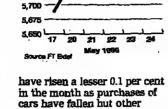
and the Dow Jones Industrial Average celebrates its first century, investors are faced with more than the usual dose of uncertainty. The equity market is already

trading at record levels, while the bond market has been decidedly nervous of late. although it enjoyed a rally last week. The Federal Reserve's meeting last week brought no new insights to the authorities

Trading is likely to be quiet after the long weekend, at least for the first part of the week. Thursday brings the publication of the preliminary estimate of first-quarter gross domestic product growth. The "flash" figure of 3.8 per cent is unlikely to be revised much. according to the consensus of economists polled by MMS International

Smith Barney takes a different view, expecting a revision downwards to 2.3 per cent. However, more important will be the current quarter's growth, generally expected to be the strongest of the year.

On Friday, figures for the growth in personal incomes in April will be released, and the median forecast is for a rise of 0.4 per cent, after the 0.5 per cent increase in March. This is still a modest rate of growth, and personal consumption expenditure is expected to



Benchmark yield curve (%)

retail sales have strengthened. These sort of economic statistics are unlikely to have much impact on expectations for interest rates. The next significant figures will be the May employment report on June 7. It was that figure for February which caused the market to tumble in early March, and it is one which

many traders may wait to see

before taking any decisive new

COMMODITIES By Richard Mooney

LONDON By Philip Coggan

A holiday-shortened week with little in the way of economic statistics may leave the London markets struggling for impetus. Fears of forthcoming rights issues and political worries over the government's beef battle with Europe made it hard work for equities last week, although gilts, which have had a bad time of it so far this year, have shown signs of

stabilising. The main test for the gilt market will be a £3bn auction of longer dated stock (maturing 2021) on Wednesday. "It will depend upon good demand from domestic investors if it is to go well," says Mr John Shepperd, chief economist of Yamaichi in London. One concern for investors is that the public sector borrowing requirement forecasts

The index-linked sector of the gilts market has been vielding more than equities. phenomenon normally assumed to be bad for shares. But Mr Ian Harnett of SGST Securities says volatility in the index-linked/dividend yield ratio has tended to have only a modest relationship with subsequent stock market

Some equity investors are hoping that a combination of tax and mortgage rate cuts will prompt the economy to revive in the second half of the year

FRANKFURT By Andrew Fisher

announced its improved money supply figures last week, but the market was not exactly overwhelmed. It had boped for more. Even so, although M3 slowed down only to an annualised rate of 11.2 per cent in April from more than 12 per cent in the previous two months, a new version of the usual guessing game began.

decide this at its next council meeting on Thursday. Having left the repo unchanged when it moved the other rates, it could ease the rate to about 3.25 per cent. Mr Holger Fahrinkrug, economist at UBS in Frankfurt, said this would be "an appropriate response" to the M3 slowdown. "By moving only very slowly, the Bundesbank will try to keep speculation about lower short-term interest rates alive

as long as possible." But other economists doubted that the Bundesbank would do anything until M3 slowed down more convincingly, Mr Adolf Rosenstock, chief economist at

The Bundesbank duly

MARKETS: This Week

Benchmark yield curve (%)* 24/5/96 - Month ago =

5

FT-SE-A All-Share Index

years

20 21 22

and there were some signs of

retailers which reported this

week. This week's results –

from Anglian Water, Carlton

Communications, M&G, South

Utilities, among others - are likely to be rather less helpful

With the domestic outlook

quiet the focus will probably

hope the Bundesbank might

shift to Germany where some

shift from a fixed to a variable

in divining the health of the

affirmation from those

West Water and United

corporate sector.

May 1996

Instead of speculating whether the central bank would cut the discount and lombard rates - it did that last month - the question was whether the key securities repurchase (repo) rate would be lowered from 3.30 per cent. The Bundesbank could

Industrial Bank of Japan in Frankfurt, thought April's M3

Benchmark yield curve (%) 7.00 --6.00 tomorrow. 5.00 4.00

10 years 20

21 22

May 1996

data "not particularly

out of reach.

impressive". He thought May

supply performance, but the

growth over the 1995 fourth

Stock market action was

initial high on the Dax index

followed by a more uncertain

Whitsun boliday. But mid-cap

stocks covered by the MDax

index continued to perform

better than the blue chips.

mixed last week, with an

performance ahead of the

full 1996 target of 4-7 per cent

quarter could very well now be

would see a better money

DAX Index

2.570

2,566

2.560

2,555

2.550

2,545 -

2,535 5

markets at low levels by providing an ample flow of funds, traders point out that the support has been already discounted into bond prices. With the economic trend pointing to a slow but steady recovery, most investors are unlikely to be able to long-term bonds. Yesterday's fall in bond

prices prompted by reports that Mr Eisuke Sakakibara. head of the International Monetary Bureau of the Ministry of Finance, had predicted the dollar to risa to the fragile sentiment of the market.

participants believe that of increased demand from postal savings and newly-launched investment trusts are likely to provide

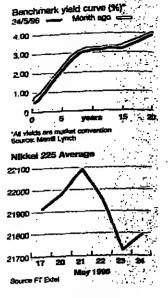
TOKYO By Emiko Terazono

Bond traders are becoming increasingly wary of signs of an improving economy. This week their focus will be on the industrial output index for April scheduled for release

Although the Bank of Japan has kept short-term money accumulate large positions in

Y130 seems to have reflected

Hence while most market growth in the April industrial output index, which fell 6 per cent in March, would remain weak, the fear is that stronger than expected figures could prompt a slide in bond prices. On the stock market, hopes underlying support. However



rising arbitrage positions against June futures are weighing on investor confidence ahead of the June 14 settlements and capping the Nikkei index.

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BANK

Cabbres Cat

The long cash position against June futures contracts is approaching 3bn shares, and is a threat to the market if the futures positions failed to be rolled over into the September contract.

Trading volumes have fallen recently and stock prices will be vulnerable to selling if this trend continues.

OTHER MARKETS Compiled by William Cochrane

Perth puts on iron ore show

One of the chief developments in the world iron ore industry in recent years has been the emergence of Western Australia as one of the biggest exporters of the raw material. Between 1986 and 1994 the state's exports of iron ore erew from 83m tonnes to 126m tonnes, placing it second in the world export league, only 10m tonnes behind Brazil.

This achievement is recognised in Metal Bulletin magazine locating its first Iron Ore and its Markets conference in Perth and subtitling it Focus on Australia.

"This conference [which began on Sunday and concludes today] will examine the demand for iron ore in the markets of Asia," says Metal Bolletin. "What is the history

BIDDER/INVESTOR

(US)

Sonat Offshore Drilling

nvestor Group (Int'l)

Swissair (Switzerland

Centeon (Germany/France)

em Star (Canada)

Rolls-Royce (UK)/Avic

Getinge Industrier (Sweden) MDT Corp (US)

RJB Mining (UK)

CROSS BORDER M&A DEALS

Transocean Drilling

Tampella (Finland)

Unit of Allied Signal (US)

Alders International (UK)

CIM Resources (Australia)

Delta Biotechnology (UK)

(Norway)

Light (Brazil)

of growth and how has Australia managed, apparently, to benefit more than its rivals?"

Speakers will also try to answer the questions; "Will the Asia-Pacific region markets continue to grow at similar rates and will Australia continue to be the principal benefi-

Other topics are: What are the growth expectations of the iron ore miners of Western Australia?: will the next downstream project be in the Pilbara or the south-west of the state?; and, bow much iron ore will key markets like Japan, China and Korea import in five vears' time?

Speakers include the current Western Australian minister for resources development and a former state president, as

Oil & gas

Construction

Biotechnology

Heavy vehicles

Medical products

equipment

Retailing

Mining

Auto components

well as industry leaders from Australia, the US and Japan. The conference is followed, tomorrow and Thursday, by a field trip to the Pilbara region, which the organiser describes as "the heartland of of WA iron ore'

include a two-day International Coffee Organisation seminar, ending today, in London on "Coffee and the Environment". Starting today in Bangkok are three days of international Sugar Organisation full council

· Other events this week

From Thursday Victoria Falls is the venue for a three-day conference of Zimbabwe's private Chamber of Mines, concentrating mainly on investment prospects.

COMMENT

Preferred bid

EU approves

Formal revised

BOC disposal

cash bld

Largest stake buyer

Higher than BAA bld

RJB overseas debut

and statistical committee meet-

PARIS

repo rate this week.

The start of the June account last Friday saw the beginning of the annual round of shareholders' meetings, writes John Pitt. One of the expected themes has been an improvement in trading conditions during the second half of the current year.

The meetings start today with Accor and Elf Aquitaine, followed on Thursday by LVMH and Christian Dior, and concluding on Friday with Roussel Uclaf and Michelin, In addition there are numerous shareholder meetings for smaller capitalised companies sucb as Bic today and Bon Marché on Friday.

Accor will be worth watching following last week's technical downgrade by JP Morgan from "strong buy" to "buy". The broker said it was cutting its 1996 eps forecast from FFr43.90 to FFr39.60, and for 1997 from FFr52.30 to FFr46.10. This action, says JP Morgan, "reflects disappointing 1995 results, stemming from exceptional items and a lower than

expected contribution from ser-

vice vouchers and Formule 1

[its budget hotels group]."
The broker feels that the overall business looks strong this year, although the share price bas been affected recently by the bid for IBL, the holding company of Motel 6 in the US, which would result in equity dilution.

ZURICH

The AGM season is open in Switzerland too. Notable names include Nestlé on Thursday and CS Holding on Friday. However, special attention will focus on the balance given the more difficult than

sheet press conference at Merkur, the retailing and consumer goods conglomerate which, at the beginning of this month, reported net profits down 56 per cent in 1995 after a 1.6 per cent drop in sales, and a 24 per cent fall in cash flow. The Merkur share price had

anticipated the bad news in 1995, says Mr Frederick Hasslauer at Bank Sal Oppenheim in Zurich, falling from an early peak of SFr342 to SFr228 last December 2. The company blamed poor retail sales in its main markets of Switzerland, Germany and France; extraordinary costs for opening a new trading centre; and provisions

of SFr15.6m for put options. This was its first setback since 1978, says Mr Hasslauer, tomorrow, at Muttenz, near Berne, it will face questions about its recovery prospects.

expected consumer economy prospects for Europe in the current year.

NEW ZEALAND

Overseas brokers' reactions to New Zealand's political uncertainty, in the run-up to its first elections using proportional representation, will continue to dominate the bond market in spite of the sound fundamentals unveiled in last week'a budget, writes Richard Adams,

Last week the domestic market anticipated a post-budget rally, but beavy selling caught many dealers by surprise. Long end yields grew by more than 25 basis points. The 10-year bond closed the week at 203 basis points over US Treasuries, its highest spread for

The market will be hoping for a return of confidence, in

spite of the bearish outlook, to combat a scarcity of liquidity. One broker noted that even such a big back-up in yields, with inflation forecast at 2.1 per cent, bad caused little interest from domestic institu tions about buying.

But with the election not until October 12, and little to distract the market before then, the outlook for yields could be for more of the same Short end yield curves will be complicated by the planned use of privatisation receipts over the coming fiscal year to reduce the government's bond issue by half, repurchase July 1997 bonds, and retire 12-month Treasury bills.

Looming rises in interest rates from a hawkish central bank may move money markets upwards, in spite of the pessimistic current account forecasts released last week.

CURRENCIES By Philip Gawith

Currencies set for quiet week ahead of Tankan report

Currencies look set for a quiet period given the absence of any important statistical releases and the boliday foreshortened week.

Attention is instead likely to focus on the release next week of the Tankan report in Japan, and the employment report in the US.

Ahead of those events, the recent consolidation trend evident in the markets looks set ues to grind slowly higher, but without much sign of accelerating. And within Europe, the surge in high-yielding currencles looks to have played itself out for the time being.

The upshot is that the market is left wondering what could upset the status quo. The favourite reasons cited are a change to the economic outlook in Germany, or a similar shift in Japan. The prospect of a rise in Ger-

US S

man interest rates seems remote, but the longer the Bundesbank persists in leaving the repo rate unchanged, the more market participants will start speculating that the next

move will be up. The public sector strikes in Germany are another factor the market is watching. Any sign that the government is buckling to their demands will have serious repercussions on the Emu process, because it

£ STO

rates of exchange (rounded) against four key currencies on Friday, May 24, 1996 . In some cases the rate is normal, Market rates are the everage of buying and setting rates except we they are shown to be rateguate. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

will lessen the chance of Germany meeting the Maastricht convergence criteria. As for Japan, the market is

waiting for the release of the Tankan report on business conditions. It will be seeking information on the strength of the economy, with a view to assessing how long it will be before Japanese rates start rising, lending support to the yen. In the US, in the absence of key indicators, a week of

rumour mongering lies ahead. Mr Dave Munro, chief US economist at High Frequency Economics in New York, says "Analysts will be consumed in speculation on whether the Fed's next move will be to tighten, or to ease." He said the key issue would be whether the pace of expansion was settling down to a sustainable 2 per cent or so, or accelit did in 1994.

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STOCK

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ET GUIDE TO WORLD CURRENCIES

VALUE

\$1.5bn

\$1.29bn

\$298m

\$218m

\$107m

\$41m

\$30.50

With effect from Friday, 24 May 1996 we have changed our name to

SUTHERLAND & PARTNERS (EDINBURGH) LIMITED

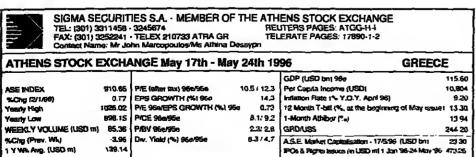
SUTHERLANDS

Limited

Our address and telephone numbers in Edinburgh will remain the same.

We are pleased to announce the opening of our new office at

Dashwood House, 69 Old Broad Street, London EC2M 1NX Telephone: 0171 628 2030 Fax: 0171 628 2060



CANDADIAN PACIFIC LIMITED CALGARY & EDMONTON RAILWAY COMPANY 4% DEBENTURE STOCK D.R. Kenst Deputy Score

PERPETUAL 4% CONSULIDATED DEBENTURE STOCK In preparation for the payment of the half-yearly uncerest due Joby 1 1996 on the above Stock, the transfer books will be closed 4 3 30 p.m. on June 3 1996 and will be re-opened on July 2. O.R. Kens Registrar 62-65 Trafalgur Square, London WC2N SDY May 20 1996

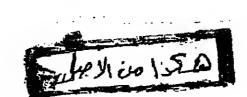
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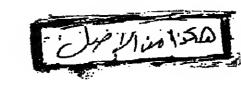
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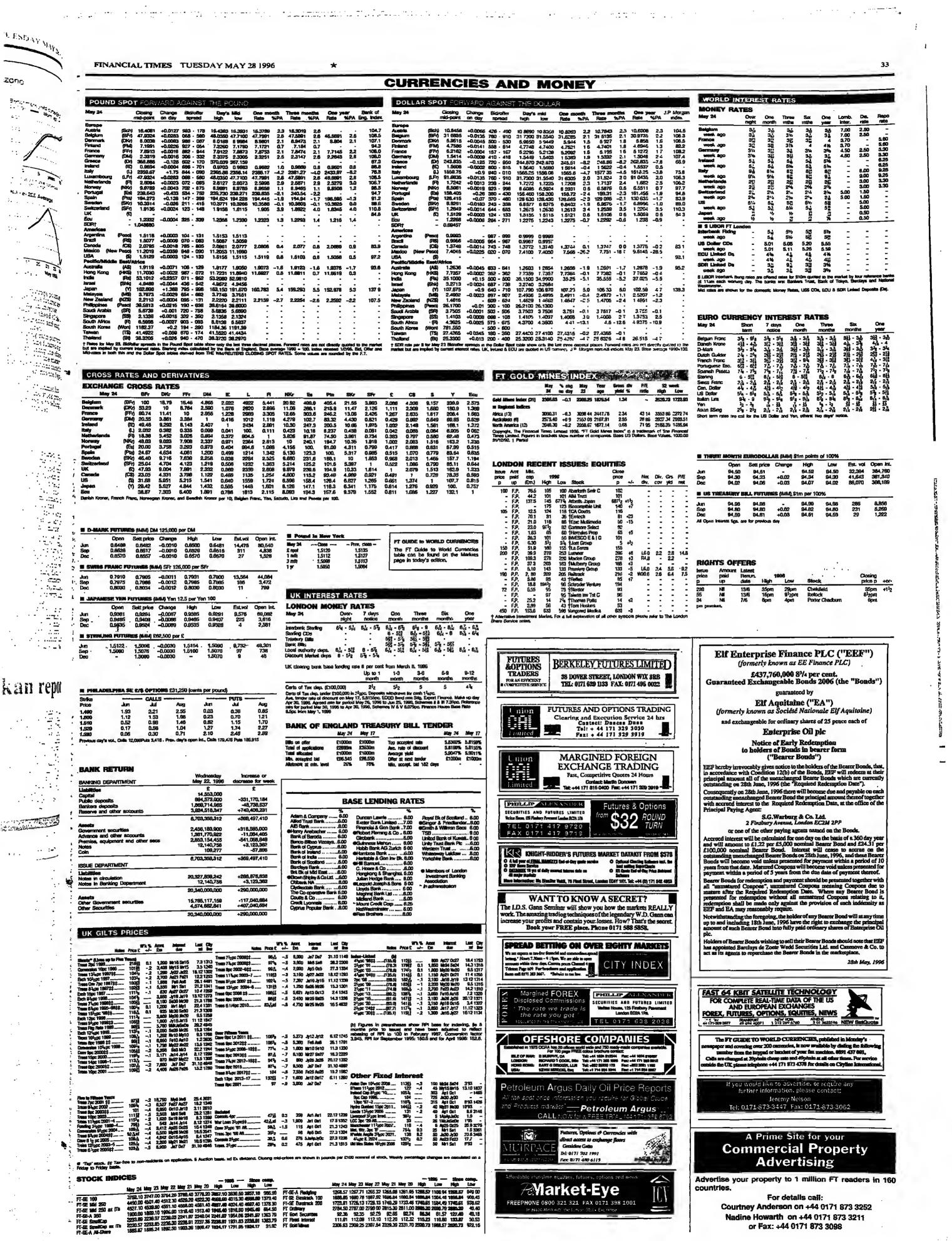
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Special Drawing Rights May 23, 1996 Utid Kingdom (0.95340) Utid States \$1.43973 Cermany DNE-23251 Japan Y150.835 European Currency Unit Rates May 24, 1896 Utid Kingdom (0.81980) Utid States \$1,23965 Germany DNA1,81340 Japan Y133.547 ting Payers next us, 1990 this representation of the Properties of Charlest rate of Country Beet against the US Dollar My Facility rate (if Parallel rate (if Parallel rate (if Parallel rate) (if Country Beet against the US Dollar My Facility Representation of America, Economics Department to Charlest Arrivot. Calle observed at 38p/m Telegraphy (if the table by Facility Representation of Charlest Representation (if the Country of the table by Facility Representation (if the Charlest Representation of Charlest Representation (if the Charl Stati Kwanza dawakesi on 4/3/96, (2) 1 wa tior rate . London Trading Contre, Enquines | 0171 634 4365.







34 ★	FINANCIAL TIMES TUESDAY MAY 28 1996
WORLD STOCK MARKETS WORLD STO	1
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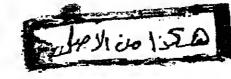
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Gold miners bring life to tired Toronto

Canada

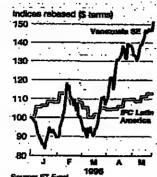
With Wall Street closed for Memorial Day, Toronto opened drowsily and looked little different at midsession, the TSE 300 composite index easing 0.64 to 5,229,21 in turnover described as "skimpy".

However, there was some action in individual stocks. Black Swan Gold Mines extended its recent popular run, topping active stocks and climbing 15 cents to C\$1.47.

Bre-X Minerals jumped C\$3.35 to C\$28.40, also in heavy trading, after last week's 10-forone stock split, and Arequips Resources moved up C\$1.70 to C\$31.20, continuing a rise sparked by Friday's release of the first drill results for its Pierina gold property in Peru.

Latin America

Renewed government commitment to economic reforms, and falling yields for fixed income



high. Buoyed recently by foreign interest in what were seen as reasonably priced shares. the IBC index rose another 167.32, or 3.8 per cent, to 4.585.98 at midsession.

Elsewhere in the region. there was less inspiration, dealers blaming the US holiday, MEXICO CITY was trading slightly lower early in paper, belped take CARACAS the day, the IPC index relinquishing 0.91 at 3,312.28.

ASIA PACIFIC

Politics move share prices in India and Thailand

opened the debate on the confidence motion in the country's first Hindu government.

The opposition was confident that it would topple Mr Atal Bihari Vajpayee, the prime minister, after barely two weeks in power, and the BSE 30-sbare index closed 56.15 lower at 3,653.10.

Sbares in the Industrial Credit and Investment Corporation (ICICI) fell Rs3.75, or 3.9 per cent to Rs92 as analysis said that the higher cost of funds was likely to have cut into profits growth in 1995/96. BANGKOK finished higher after moderate trading yesterday on the expectation that a new cabinet line-up, dne to be announced soon, would be an improvement on ths

The SET index was finally 11.65 ahead at 1,311.20 in turnover of Bt5.8bn. Banharn Silpaarcha, the Thai prime minister is expected to announce a cabinet reshuffla some time this week in which some less popube dropped.

Small lot profit-taking and technical selling weighed on share prices and the Nikkei average ended moderately

115

easier, writes Emiko Terozono in Tokyo. The 225-share index closed 98.67 down at 21,699.76 after moving between 21,557.48 and

Some traders had hoped that funds from postal life savings and newly launched investment trusts would boost share prices, but the amounts remained small and failed to induce purchases from other domestic institutions. Instead, profit-taking and arbitrage linked selling weighed on investor confidence and the Nikkel finally closed lower on the day.

Volume totalled 306m shares, the fifth lowest of the year, against Friday's 374m. Brokers

remained inactive since today is the last trading day for May

The Topix index of all first section stocks receded 6.11 to 1,658.44 and the Nikkei 300 fin-

Y50 to Y2,050 on selling by a leading US brokerage bouse. Other brokers were also lower,

delivery. Overseas investors were seen selling in small lots. while some individuals chased speculative favourites.

ished 0.74 softer at 306.59. Losers outscored gainers by 735 to 329, with 164 issues remaining unchanged. Nomura Securities dipped

with Nikko Securities down Y10 to Y1,180 and Yamaichi Securities losing Y5 to Y762.

announced weak earnings fore-

casts for the current year lost ground on profit-taking. Fujt Photo Film plunged Y210 to Y3,160 on overseas related selling. Investors were discouraged by the company's forecast of an 11 per cent fall in

recurring profits for the current year to next March. Banks – many of which had fallen into the red last year, due to bad loan write-offs, and which are forecasting small profits for the current year were sold. Dai-Ichi Kangyo Bank shed Y20 to Y1.930 and Sumitomo Bank lost Y10 to

Technology issues were lower in spite of the rebound in the dollar against the yen, as fears of faltering semiconductor demand continued to weigh on electrical stocks. Oki Electric declined Y5 to Y760 and Sharp Y20 to Y1,760.

In Osaka, the OSE average slipped 61.47 to 23,011.64 in volume of 21.2m shares.

Roundup

Karachi was closed yesterday, and will remain shnt today fer a religious holiday. SEOUL recovered after last week's slide, a technical rebound taking the composite index up 8.67

The Bank of Korea said GDP grew by a real 7.9 per cent in the January-March period compared with 10 per cent a year earlier, but while this was a little higher than expected, said brokers, it had little effect on share prices.

LG Electronics closed at its limit high of Won21,700, up Won1,200, on hopes that it would benefit from the initial public offering by its affiliate, LG Semicon Co.

MANILA broke through its 3,250 resistance level, foreign institutional buying taking the composite index up 43.01, or 1.8 per cent, to close at the day's peak of 3,256,10. Confidence in the economy

was building up, said brokers, and the \$1% gain to \$56% in Philippine Long Distance Telephone in New York on Friday also boosted local sentiment. JAKARTA saw active buying of bank stocks, particularly of Bank Dagang Nasional Indonesia (BDNI), which projected a 20 per cent annual growth in net profits for 1996. BDNI rose

Rp100 to Rp2,575 in active trading, the sector followed, and the JKSE composite index moved forward 2.61 to 620.67. HONG KONG had a thin day with Wall Street and London

on holiday, turnover sliding to another year's low of HK\$2.74bn as the Hang Seng index rose 62.53 to 11,081.69. Newly listed China Elegance

HK\$1.97, well below a day's high of HK\$2.425, after rocketon Friday from the issue price of HK\$1.03.

SHANGHAI'S B share market, meanwhile, staged a technical rally, the index edging up 0.129 to 49.256 in 3.2m shares worth \$1.1m after its sharp fall last week.

SINGAPORE ended mixed in quiet session enlivened by Singapore Telecom, which rang up a 28-month high. Sing-Tel put on \$\$0.12 at \$\$3.86 and topped the active list on 10.28m report which reckoned on double-digit net profits growth for the year to last March 31. The Straits Times Industrial

index dipped 0.63 to 2,350.43. KUALA LUMPUR fell nearly a percentage point, the KLSE composite index losing 10.99 at 1,140.78, but brokers blamed consolidation and thin volume, saying that the decline

rather than strong selling.

Requotes had mixed luck: Pacific Bank went limit-up following the announcement of merger talks, although it came back from M\$14.50 to close M\$1.80 higher at M\$13: but Autoindustries hit profittaking on its integrated chip understanding with Atmel, of the US, and closed M\$1.90

Helsinki stays impressionable

closed for Whit Monday, HEL-SINKI stayed impressionabla, the wholesaler Kesko putting on FM3, or 5.2 per cent, at FM60.50 after it bought a majority stake in its rival, Tuko. The Hex index rose 21.41 to 2.056.05.

Turnover was FM221m, 20 per cent of that in Kesko, and 36 per cent in Nokia, up FM7.70 at FM197.20 after its gain on Wall Street last Friday.

MILAN thanked continued strength in the newly floated oil and chemicals major ENI for a positive conclusion to a

Following ENI's news of a good first quarter at its meeting last Friday, the shares advanced L172, or 2.5 per cent,

gained 65 at 10,617. The cement group Calces-truzzi was less fortunate, fall-

ing L160 to L5,240 following news of a potential capital increase to fund the acquisition of two Greek companies. MADRID reversed its early losses on late buying, and the

general index closed 0.96 higher at 363.79. However, traders said that the market was on standby because of holidays in other European centres, and volume, a mere Pta16m, was boosted by block trades as peopla switched investments

Telefonica was among the main climbers, moving ahead Pta25 to Pta2,305. TEL AVIV shrugged off a

Israel, Equities followed Sun-day's advance of 1.5 per cent with a further gain, the Mishtanim index adding 1.61, or 0.8 per cent, at 211.26.

ISTANBUL slid another 3.9 per cent after a drop of 7 per cent last week, political fears escalating due to an Islamist censure motion against the ailing minority coalition. The composite index finished

2,371.56 weaker at 58,752.42,

hitting a low of 58,123 in late trade after senior aides to the coalition partner, Mrs Tansu Ciller, said that their party would support the Islamist ween accounts.

Written and edited by William

Henkel rerating divides analysts

Best known in Germany for Persil washing pow-der, Henkel has seen a remarkable rerating since mtd-April, writes Willam Cochrane. At one point last week, the preferred shares were up by 22 per cent over some six weeks, against a 2.3 per cent rise in the Dax index.

The performance followed mundane 1995 results from the consumer goods and chemicals company, with profits 5 per cent ahead on a 1 per cent increase in sales. However, the company's meetings with analysts and institutions were spiced with financial engineering: it announced the conversion of one in 10 of its preferred shares to ordinaries. and espoused the concept of shareholder value.

PRECISE

The prefs conversion raised Henkel's weighting in the Dax 30-share index and made it much less likely that the stock would be dropped as a constit-nent when Deutsche Telekom enters, following its flotation later this year. This was a genvine relief for outside holders who had seen Deutsche Bab-cock hammered down, before and after the engineer was

excluded from the 30 last year. The apparently joyous share price reaction has coincided with ontperformance elsewhere in the depressed German consumption, and construction, sectors, and it has analysts in two minds: some of them think that the poor qual-ity of Frankfurt's recent share price winners reflects a fragile phase of the bull market.

at Crédit Lyonnais in Frankfurt thinks the plan has merit. He says that, until recently, tha Henkel family, with around 70 members and now in its seventh generation since the founding of the company, was not interested in high share prices: members did not want to sell; and, even if they did not, they had to face the German wealth tax which was

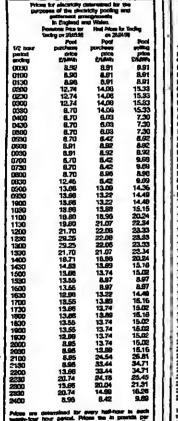
based on the market value of the Henkel preferred shares. In mid-April, management revealed that some family members had said recently that they would sell; the wealth tax is due to be abolished by the end of this year; and with last week's proposed 1997 tax revisions, the Federal government signposted a comreference share and index rebased

pensating increase in inheritance tax, which will move tha problem from the current own-

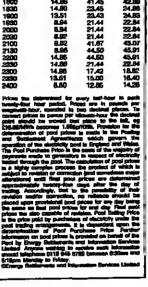
S Africa quiet but Absa rises

With foreigners on holiday, local institutions stayed on the sidelines and the key Johannesburg indices reflected this: the all-share rose one point to 6,689.4 and industrials firmed 5.4 to 7.794.9, while golds

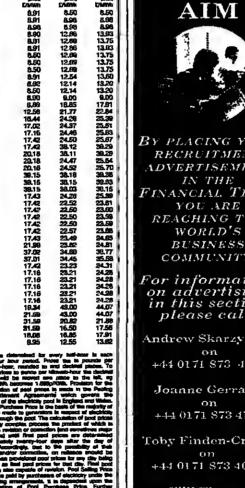
slipped 9.0 to 1,964.1. Howevar, Amalgamated Banks of South Africa (Absa) had a good day, the shares forging ahead R175, or 8.4 per cent, to R2,250. Having turned in stronger growth than its peers in the year to last March 31, Absa promised to narrow the gap between itself and other banks in terms of key operating ratios.











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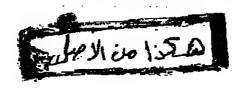
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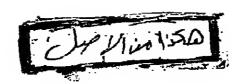
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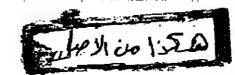
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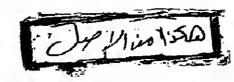
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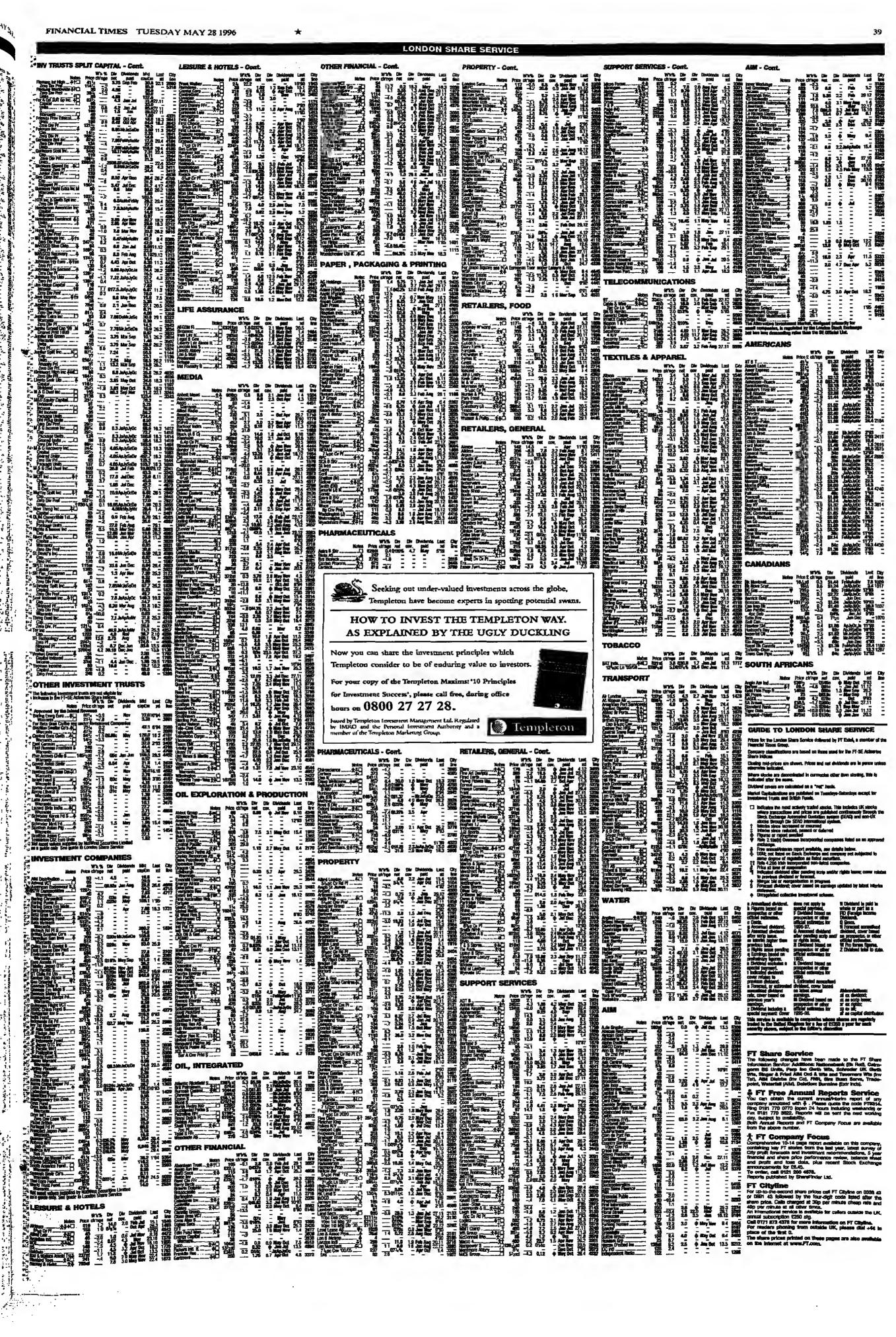
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TUESDAY

India vote of confidence

A vote of confidence by India's newly elected parliament decides the fate of the two-week-old government of the Bharatiya Janata Party under the prime minister, Atal Bihari Vajpayee. The Hindu nationalist BJP is likely to lose the vote against the combined weight of the United Front - a coalition of regional and secular parties - the Congress party and India's main communist parties. Should the BJP fall, India's president, Shankar Dayal Sharma, is expected to invite Deve Gowda. the head of the United Front, to form the

EU urged to speed up laws

EU ministers responsible for single market legislation meet in Brussels - to be told progress in sweeping away trade barriers is not fast enough. Mario Monti, the single market commissioner, will report that the gap between member states' declarations and their actions is still too wide when implementing single market rules. He will tell ministers that only 90 per cent of EU single market measures have been adopted

Cardoso visits France

Fernando Henrique Cardoso, Brazil's president, meets Jacques Chirac, his French counterpart, on his first oversea trip since police gunned down at least 19 landless farmers. The killings sharpened concern about the slow pace of social progress in Brazil and damaged Mr Cardoso's campaign to improve the country's image, Mr Cardoso will visit Renault - which recently confirmed a decision to build a factory in southern Brazil Increased French interest in Brazil is reflected in the emergence of Electricité de France, the state power company, as the latest high-profile investor there after becoming the higgest shareholder in Light, the Rio de Janeiro electricity company.

Biodiversity in Latin America

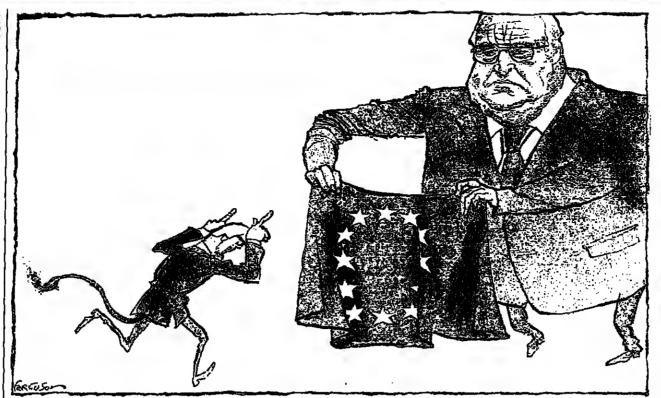


Regional government and independent delegates will thrash out environmental intellectual property rights and conservation at the

Latin American Biodiversity Forum in the Colombian city of Santa Marta. The emphasis will be on a fair distribution of the benefits derived from biodiversity.

Manila pushes for tariff cuts Abdullah Ahmed, the Malaysian foreign

minister, arrives in Manila to meet his counterpart in the Philippines, Domingo Siazon. The two countries, members of the Association of South-East Asian nations (Asean), are expected to discuss the Philippines' chairmanship of the Asia Pacific Economic Co-operation (Apec) forum. Manila has proposed that Asean extend its internal tariff-cutting measures to the rest of Apec on a unilateral or most favoured nation basis. The Philippines is



The UK prime minister, John Major, lowers his homs to go headlong into battlie with the European Union over the "mad-cow" beef crisis

expected to have difficulty persuading its Asean partners, notably Malaysia and Thailand, to accept this.

Nordic foreign ministers

Foreign ministers from Finland, Sweden. Norway, Denmark and Iceland hold their hiannual meeting on the Aland Islands, Finland (to May 29).

Bottomley in Japan

Virginia Bottomley, the UK secretary of state for national heritage, visits Japan to boost cultural and trade ties (to May 31).

The French Open, which started on Monday, continues in Paris (to June 9).

FT Survey Madetra.

Public holidays

Armenia, Azerbaijan, Ethlopia, Virgin Islands, Iran, Pakistan (depending on sighting of moon).

WEDNESDAY

israel goes to the polls

Israelis elect a prime minister and parliament in what the parties are billing as the most crucial election in the history of the Jewish state. A high turnout is expected among the 3.9m registered voters. Shimon Peres, the prime minister, has asked for a mandate to continue negotiations with the Palestinian Authority towards a final peace agreement. He became prime minister after a Jewish opponent of the peace

process gunned down his predecessor, Yitzhak Rabin. Mr Peres' challenger, Benjamin Netanyahu, the Likud party leader, would adopt a hard-line policy which could grind the process to a halt.

Interpol gathers in Warsaw



Interpol begins its annual European conference. Drugs and the fight against the continent's newly emerging matias will be prominent on the agenda.

Forty European police forces are to be represented, with observers from the EU's Europol attending the first meeting of its kind in the Polish capital.

Red Cross disasters report

Hunger and refugees are the main themes of the annual world disasters report to be released by the International Federation of Red Cross and Red Crescent Societies. The number of refugees and displaced people will double during the next 10 years - at a time when relief budgets are receding.

Kohl in Portugal

Helmut Kohl, the German chancellor, makes his first official visit to Portugal since the Socialist government took office six months ago. Mr Kohl has found an ally in Antônio Guterres, the Portuguese prime minister, in support of more European integration and expansion. But Portugal, trying hard to meet the convergence criteria for European monetary union, seeks assurances that EU funds for Portugal will not diminish when new states are admitted. Mr Kohl is also to preside over

the signing of an agreement for Siemens. the German electronics group, to invest in a 1,000-job memory chip plant.

Rhythmic gymnastics European championships, Oslo, Norway

(to June 2).

FT Survey German Banking and Finance; Uruguay

(UK only). **Public holidays**

Bangladesh, Fiji, Israel, Virgin Islands.

THURSDAY 30

Northern Ireland elections

Northern Ireland goes to the polls to pave the way for all-party talks on the future of the province. The contest is for 110 seats in the new Northern Ireland Forum - from which the parties will select teams for the June 10 negotiations. Unionists will wish to use the poll as evidence of support for continuing the union with the UK. With London and Dublin insisting on a reinstatement of the IRA ceasefire before Sinn Fein, the IRA's political wing, can take part in the talks, Sinn Fein is keen to maximise its vote in order to pressure the two governments to lift the ban.

Russia courts WTO

Another round of negotiations on Russia's drive to join the World Trade Organisation begins in Geneva (to May 31). It will be up to three years before Russia can become a member - a process not helped by trade spats between Russia and its trading partners. After being forced by the International Monetary Fund to rescind a plan to

raise tariffs by 20 per cent this year, and after settling a dispute over US exports of frozeo chicken, Russia declared new quotas on food imports. Protectionist noises from the Russian government may owe much to its election campaign. But they are not aiding Russia's cause at the WTO.

Showjumping

Hickstead Nations Cup, England

US women's Open, South Pines, North Carolina (to June 2).

FT Surveys Luxembourg; Croatia.

Public holidays Croatia, Trinidad.

FRIDAY

31

Czech general election starts Two days of voting begin in the third election in the Czech Republic since the Velvet Revolution in 1989. However, this is the first election since the country split with Slovakia in 1992 and is very much a referendum on four years of economic reform under the prime minister, Václav Klaus. Opinion polls suggest his ontgoing. centre-right three-party government will be returned, although perhaps with a smaller majority. The main challenge are the Social Democrats, who are likely to become a much stronger opposition force to Mr Elaus's Civic Democratic Party.

Japan bid-rigging ruling

The Tokyo High Court rules in the case of nine large and medium-sized electrical companies accused of rigging bids in winning public projects from the Japan Sewage Works Agency.

FT Survey North American Aerospace.

Public holidays Malaysia, Singapore (Simex open),

SATURDAY

Ariane 5 to be launched Ariane 5. Europe's new entrant in the

£1.9hn a year commercial satellitelaunching market, is due to make its maiden flight. The 51.37-metre high rocket, the largest in western Europe, is to be launched from the Kourou space complex in French Gulana. It will be carrying four identical science satellites. The rocket is expected to take over from its predecessor - Arlane 4 - at around the turn of the century. At the time of writing, the second stage of the rocket was still being filled with fuel - with the launch date subject to review until this process is completed.

Cleaner petrol in California

A new air-quality petrol regime begins in the US state of California. Petrol stations

will sell fuel which reduces emissions of smog-producing compounds from vehicles by about 15 per cent. The project is expected to reduce cancer risk from exposure to petrol by more than a third.

FT Survey Investment Trust Guide (UK edition only).

Public holidays

Azerbaijan, Brunei, Kenya, Malaysia, Mongolia, Sri Lanka, Western Samoa.

SUNDAY

Boost to Dayton accord

The US and European powers meet the presidents of Serbia, Croatia and Bosnia in Geneva in an effort to push forward the stalled Dayton peace plan. Warren Christopher, the US secretary of state, and senior officials from Russia, Germany, France and Britain will address the failure of the Balkan leaders to arrest war criminals indicted by the international tribunal at The Hague. Among those indicted is the Bosnian Serb leader Radovan Karadzic. It will also be demanded that refugees be returned and freedom of movement in Bosnia and the workings of the fragile Moslem-Croat federation be guaranteed - all pillars of the Dayton agreement.

Run-off in St Petersburg

Anatoly Sobchak, the liberal mayor of Star Petershurg, faces his deputy in a run-off election. The vote might foreshadow the anti-incumbent mood in Russia two weeks before the presidential elections. Vladimir Yakovley, the deputy mayor, won a surprisingly high 21 per cent of the vote in the first round, against his superior's 29 per cent. Mr Sobchak did not expect a strong challenge, Both candidates back President Boris Yeltsin and democratic reform - true to the region's image as the vanguard of anti-communism in Russia.

Nastase serves to Romania



Ilie Nastase, the former tennis star, has the advantage. in the campaign for the mayorship of Bucharest, the. capital of Romania. Mr Nastase is standing for the governing Party of

Social Democracy in Romania's second local election since the collapse of communism, However, although ahead in most opinion polls, Mr Nastase is not expected to win 50 per cent of the vote and is likely to be forced into a run-off.

Motor racing

After the calamities of the Monaco grand prix, in which only three cars finished. Britain's Damon Hill (Williams-Renault) will be hoping to extend his comfortable lead over his main rival, Germany's Michael Schumacher (Ferrari), for the world title. The action switches to the Spanish grand prix in Barcelona.

Compiled by Simon Strong. Fox: (+44) (0)171 873 3194.

Other economic news

Monday: Adjustment of stock levels is thought to have depressed economic growth in Australia during the first quar-

ter of the year. Tuesday: The surge in the Conference Board's measure of US consumer confidence last month is expected to have partially reversed last month. US existing bome sales are also thought to have fallen in April.

Wednesday: Inflation in Belgium is expected to have edged higher this month, while producer prices in Sweden are expected to be running at around last year's levels. Canadian producer prices are forecast to have picked up a little in April following March's decline.

Thursday: The Bundesbank council meets in Frankfurt. The UK's global trade deficit is thought to have oarrowed in March, but the non-EU deficit Is predicted to have widened in the following month. Finnish unemployment is expected to have declined in April

Friday: US personal income growth is expected to bave slowed in April, as is consump-tion growth. The Italian economy is thought to have started growing again in the first quarter of the year.

4 Abroad, went out with old hat

9 Sportsmen may shoot them for fun (6)

12 Grace may arrive in disguise

(8)
13 Such position in society is often symbolically expressed

15 Few uttered an expression of

surprise (4)

18 Staggers, due to ill-fitting satin shoes (10)

19 One who is deep in the letters of Freud and Eliot (10)

20 Some past Indian national

28 About to sit and take it easy (S)
29 Weather meo caught in a
flurry of sleet (S)
30 More than one rock group? (6)

23 Incorporate dome by reconstruction (6)
25 Put weight on knocking back sweets (8)
26 September 27 September 28 Failing to join the emery 24 Cook bests a mixture (5)

27 One who follows a good lead? 26 A residence with no outstand-

1 Season well (6)

10 Contrary chat (8)

currency (4)

Statistics to be released this week

ECONOMIC DIARY

Day Released	Country	Economic Statistic	Median Forecast	Prévious Actual
Tues	US	May consumer confidence	102.0	105.3
May 28	us	Aprexisting home sales		4.21m
	US	Johnson Redbook w/e May 25	•	6.1%
	Japan	Mar coincident indx	40.0%	100.0%
	Japan	Mar leading differential indx	45.5%	80.0%
	Japan	Apr retail gales**	0.8%	2.8%
	Japan	May wh'sale price ind (2nd 10 days)		-0.1%
	France	Apr household consumption*†	-0.2%	-1.2%
Wed	Japan	Apr industrial productions	3.5%	-6.0%
May 29	Japan	Apr shipments†	-	-5.5%
	France	Mar trade balance†	FFr9:0bn	FFr10.2bn
	ltaly	Mar hourly wages	4.2%	4.1%
	Italy	Apr hourly wages	4.2%	n/a
Thur	บร	1st qtr GDP prelim	2.8%	2.8%
May 30	us	1st qtr GDP deflator prelim	2.5%	2.5%
	US	1st qtr after tax corp profit	2.0%	1.9%
	US	Initial claims w/e May 25	350,000	344,000
	US	State benefits w/e May 18		2.54m
	US	Apr new home sales	688,000	872,000
	US	M2 w/e May 20	-\$0.5bn	· <u>-</u>
	Japan .	Apr Bank Jpn corp services prices*	-	0.1%
	Japan	Apr Bank Jpn corp services prices**	•	-1.0%
	UK	Mar global visible trade	-£1.0bn	-£1.5bn
	UK	Apr ex-EC visible trade	-£750m	-£571m
	Aus'lia	Apr current a/c	-A\$1.8bn	-A\$1,6bn

1 Drop out at university to get ready for the theatre (5.2) 2 Theatre company object to

stage (9)
3 One who considers life barely

5 Is superior to a bad pun about

love (4)
8 Perfectly fit model of pacifism
to follow (8) ne pie bas nothing in it (5)

11 One's naughty spirit as an individual (7)
14 A virtue easily cultivated (7)
15 Leaves effortlessly (5,4)
16 Inaccurate sbooting, but it can spread destruction (8)
19 Time the bowler started."

worth living (6)

8 Suits oneself (7)

ing features (4)

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Fri	US	May Michigan sentiment final	-	89.9
May 31	US	May Chicago Ass purching mngrst	-	52.0%
	US	May agricultural prices	-	0.9%
	US	Apr personal income	0.4%	0.5%
	US	Apr pers consumption expenditure	0.1%	0.6%
	Japan .	Apr unemployment rate	3.3%	3.1%
	Japan :	Apr job offers seekers ratio	0.67	0.67
	Japan	May consumer price indx (Tokyo)**	0.1%	0.3%
	Japan	May CPt ex-perishables (Tokyo)**	0.1%	0.0%
	Japan	Apr consumer price indx (nation)**	0.4%	0.1%
Japan	Japan	Apr CPt ex-perishables (nation)	0.2%	0.2%
	Japan	Apr construction orders**	•	-0.6%
	Japan	Apr housing starts**	8.3%	8.2%
	Japan	Apr construction starts"	•	5.3%
	France	1st qtr gress domestic prod prei	0.6%	-0.4%
	UK	Apr final money data	-	n/a
	UK .	Apr consumer credit	£725m	£700m
	Italy	1st qtr gross domestic prod prelim**	1.1%	2.3%
	Aus lia	Apr retail trade	0.3%	1.8%
During th	e week			
	Germany	Apr Import prices	0.3%	0.3%
	Germany	Apr Import prices"	0.8%	0.4%
	Italy	Apr balance of payments		L1.4Tr
	italy	Apr M2 (3m average)	2.7%	2.7%

PRIZE CROSSWORD No.9,079 Set by DANTE

'month on month, "year on year. ""qtr on qtr, †seas adj. Statistics, courtesy MMS International.

Mrs K. Wilson, Newton Ferrers, Devon P.E. Carter, Oldham, Lanca-Amy Hunter, Montpelier, Bristol Mrs R. Moir, Bracknell, Berks Vera O'Sullivan, Wickham, Hants
D. Szczublewski, Cheshunt,
Herts

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday June 6. marked Crossword 2,079 on the envelope, to the Financial Times, I Southwark Bridge, London SEI 9HL. Solution on Monday June 10. Please allow 28 days for delivery of prizes.

Winners 9.067 Solution 9.067

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The solution is HP Computer Systems,

MADEIRA III



BLANDY BROTHERS by David White

Part of the landscape

In Madeira since 1811, the Blandys are its most influential British family

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The Blandy family can show you their money. In 19th-century Madeira they had it made, literally. Because of a shortage of coinage, some of the island's British-owned wine shippers took to paying local growers in brass tokens, which were accepted by shopkeepers as a

kind of parallel currency. The Madeira Wine Company has a pile of them on display, denominated in reis, the Portugoese money of the time. Instead of a monarch's head or national symbol stands, the name of Blandy appears in prominent letters.

Today, on the threshold of the euro era, Blandy Brothers is still the same private family company, owned and run by Blandys: even though the focus of its interests has shifted.

The Blandys are not the oldest of the British families which have made their mark on Madeira, by building up the wine export business and other island activities from embroidery to brewing and tobacco. But they are are the biggest, Like the others - but unlike

their counterparts in the sherry business in southern Spain, who have become Spanish over the years - they have held on to their English iden-

ourselves to be British, resident in Madeira," says Mr Richard Blandy, the chairman. However, although the com-

pany has interests in the UK and an affiliate in the Canary Islands run by "Spanish cousins", he says the main thrust of the husiness is likely to remain in Madeira. "We have very atrong links with this island, and it is our intention to continue living here." His is the sixth generation of

banking but la now based

largely on property, tourism and services. Mr Blandy is reluctant to discuss financial figures ("We don't publish anything," he says) beyond the overall turnover of the group, which be puts at Es8.5hn, including joint-venture activities. It employs just over 1,000. lts fully-owned interests include a travel agency, a shipping agency and a Lloyd'a insurance agency. It is the proprietor of Madeira's higgest newspaper, Diário de Noticias, with a circulation of 15,500, competing against another daily belonging to the com-

government and the diocese. The newspaper rivalry puts the family on slightly tricky ground with the regional president, Mr Alberto João Jardim. Although he and the Blandys are respectful about each other, Mr Jardim regards the Diario de Noticias as being hostila to his centre-right Social Democratic Party (PSD) and an ally of his Socialist political

bined forces of the regional

Blandy Brothers was established in Madeira in 1811, but is it a foreign company or a opponents.

The group's fingship has been the tradition-laden Reid's Hotel, opened in 1891 and part of the Blandy empire since 1936, the most famous single building in this part of the Atlantic. Mr Blandy says that in the early years running a hotel on an island without an airport was "an act of faith". In the last 20 years, Reid's had proved an extraordinary success . Nonetheless, it emerged this month that negotiations were under way to sell the Blandys to run the business, establishment to the Sea Conwhich at one time included tainers group, whose Orient-Express Hotels subsidiary

> such as the Cipriani in Venice. "We're moving away from taking the view that Reid's is in any way a trophy business," says Mr Blandy, He sets store by a readiness to change, which be sees as the key to the group'a ability to survive.

includes other famous names

The Blandys keep a stake, although a minority one, in the Madeira wine business where they made their name and where their name still features as a label. The story has it that the original John Blandy of Berkshire came with the British garrison stationed in Madeira during the Napoleonic wars, as a young quartermaster - a good post for eyeing trading opportunities - before returning as a civilian and setting up in business. In the late 19th century the Blandys and the Leacocks, another English family whose Madeira roots go

back to 1741, rescued wine pro-

duction after it was ravaged by

successive attacks of mildew and phylloxera. During the First World War they and other shippers pooled their wina assets into the Madeira Wine Company. The Blandys later bought the Leacocks out, but in 1989 joined forces with the Symington group from Oporto, one of the powers in port wine, which now holds majority control. Mr Blandy, whose company still has over 40 per cent, says the partnership has brought new expertise in production and

specially marketing. In other sectors, too, Blandy Brothers is increasingly involved in joint ventures. These include a shareholding of just over 25 per cent in the island's only flour and pasta producer, now based in the industrial free zone, and a similar stake in the Cliff Bay Hotel, a five-star establishment

opened 18 months ago. The company is looking into new sectors, but Mr Blandy is not saying what. "This is a small economy," he explains. He emphasises that the aim is to take partners in operating activities but not at group holding level. Family policy is to avoid a wide dispersion of shares, even if this imposes a constraint. "Our capital is always going to be limited," says Mr Blandy.

There are, be says, about 20 sharebolders. But the family bas worked on the principle that a majority should be "held essentially by the people who work in the group in one capacity or another". He adds: "There is no automatic right of entry. You've got to prove

yourself."
Mr Blandy, 49, learnt accountancy in Edinburgh, spent two years in Lisbon as a management trainee at the Blandy office, and another two in the City in merchant banking and insurance before joining the company in Madeira. His younger brother, Mr Michael Blandy, is chief executive. His cousin, Mr Adam Blandy, who preceded him as chairman. now runs his own property interests and the Palheiro golf club - built on a family estate - but continues as a non-exec-

utive director. We've always tried to keep the best of Anglo-Saxon business practices," says Mr Ricb-

He is proud of the "disci-pline" which has enabled the family to deal with the delicate question of who inherits the business. "We've been able to handle the two big issues in any family firm - the willingness to change as economic cir cumstances change and, in second place, the management and succession," he says. Is the next generation already lined up? "It's an area we're going to he moving into." says Mr

■ MADEIRA WINE: by David White

An after-dinner curiosity

Most ends up in French kitchens, but Britons still pass it round with the port

In the best traditions of Britain's Royal Navy, the decanter of madeira is still passed around after dinner with the port.

The archipelago's most famous product continues to enjoy a following in the UK, a rather more fickle one in the US, and a growing Japanese market. More muscle has been pnt recently into marketing it in its different styles, to be drunk as either an aperitif or a digestif. But the cruel reality is that most of it is shipped in bulk and the biggest clients, the French, sell it as a kitchen wine or an industrial ingredi-

Compared with port or sherry, madeira has a rela-tively tiny production, with annual exports in bottles bringing in just over Es2bn (\$13m) - not dissimilar, as one Madeira businessman said, to the turnover of a top 200-room hotel - and bulk exports only a third of that.

Efforts hava concentrated on promoting the higher-value wines made from traditional grape varieties. But the scope much more limited than in the port wine husiness of Portugal's Douro region, which is set this summer to stop export-

Wine is one of the three main agricultural products in Madeira's history, and looks like being the survivor

ing in bulk altogether and to sell its production only in bot-

In Madeira this is not considered an option. For one thing, bottles have to be shipped out from continental Europe and the bottled wine then shipped back. For another the customers of bulk wine want it that way. And, whereas bulk shipments make up less than a quarter of port exports, here they account for more than

For all the elaborate prepar tion that goes into converting Madeira's high acid-content wines into a distinctive forti fied product, madeira shipped in bulk to France last year fetched an average of just Es283 per litre, barely a fifth of the average for the bottled ver-

The business is concentrated in the hands of a half-dozen exporting companies, compared with more than 50 port wine shippers. There was an exodus of British shippera when vines were devastated by mildew in the mid-19th cantury.
After Europe's phylloxera

epidemic completed the damage later in the century, the Blandy and Leacock families set about rebuilding the business by grafting on to imported American root stocks. The pooling of their interests, joined by those of the Miles family and later Cossart Gordon, formed what is now the dominant producer, Madeira Wine Company.

This is now controlled by the Symington group, the biggest remaining private port con-cern, which has added the madeira brands to famous port names including Dow, Warre and Graham

According to Mr Jacques Faro ds Silva, Madeira Wine Company's managing director, it controls between 50 and 55 per cent of the bottled market and 30-32 per cent of bulk shipments. "Our challenge is really to be able to expand more and more the bottled husiness," he

Through the link with the Symingtons, who took over seven years ago, the company has benefited from access to a much more powerful distribution network and some

improvements in technology. However, the basic process of wine-making, which evolved out of a combination of neces sity and accident, has not changed. The vineyards of Madeira (there are also some on the smaller island of Porto Santo) are a lahour-intensive business, mostly on tiny plots carved out of steep slopes and unsuitable for any kind of mechanisation. There are some

10,000 growers. Production of wines other than fortified madeira is of dublous viability, although Madeira Wine Company bas produced some decent rosé and white table wine and experimented with a red. So-called "direct producers", especially in the north, grow the American-type vines rather than the authorised grafted varieties and make wine for domestic consumption, but are being discouraged. Three years ago this type accounted for some 47 per cent of the total harvest of grapes for wine production, but has fallen sharply.

Quality is controlled by the Madeira Wine Institute, an official body belonging to the regional government, with 45 employees. In the past the wine "lodges" would take pressed wine from the growers but now only buy grapes. Wine alcohol is added at different stages of the fermentation process, according to the type of wine being produced.

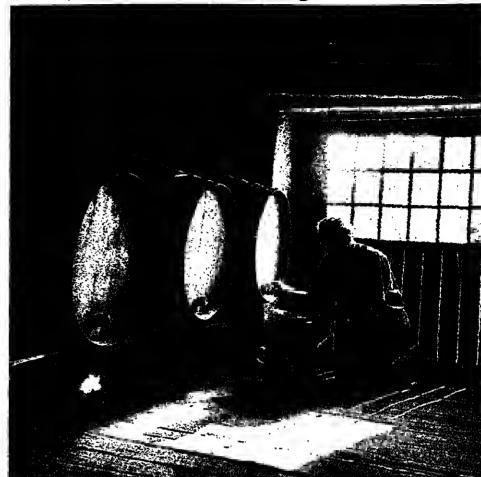
What is special about the production of madeira is, in effect, a gradual cooking process. This can be done in the "noble" fashion by storing it in warm attics for four or five years, or by putting it in tanks with heating-coils, where the job can be done in three or four months. The minimum set for any wine to reach maturity is 18 months.

Wine is one of the three main agricultural products to have marked Madeira's history, and looks like being the survivor. There are only a couple of sugar-mills left to commemorate the original boom crop, sugar-cane, in the 1970s many vines were pulled up on the lower slopes to make way for hananas, but now the bananas are again making way for replanted vines.

Recent years have seen efforts to rebuild production of traditional madeira grape varieties, overwhelmingly displaced in the grafting process by a resilient variety called Tinta Negra Mole. Most madeira wine production comes from this grape although it is not one of the distinctive types associated with the finer product. These are Sercial, the dryest, Verdelho, which gives a mediumdry wine, the full-hodied Bual and the rich Malvasia or Malmsey, the source of the most characteristic of all madelras.

This diversity results in what may be a somewhat baffling choice for the diffident consumer, and the question has been raised of whether a simplified range might not be more successful.

Not only are there four dif-ferent traditional styles of Madeirans.



New grapes, but the basic process remains unchanged

madeira, with different names. hut also different ages - three, five, 10 or 15 years, or vintage, which means at least 20 years in the cask and two in the bot-

"Madeira wine is a very difficult thing to sell," Mr Faro da Silva says. The largest number of bottles of madeira - more than exports to the UK and much more than sales in mainland Portugal - are bought by visitors to the islands,

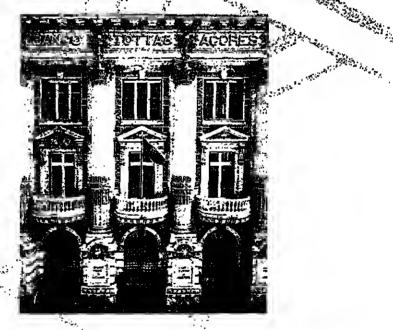
Tourists mill unsteadily around Madeira Wine Company's São Francisco wine lodges in downtown Funchal, tasting the wine and viewing the displays of ancient bottles. "Madetra is tha number one market for bottled madeira wine," says Mr Faro da Silva, "and of course it is not for

Where Madeira wine is sold 1995 exports Total local and Germany 20,196 Portuguese market 0.55 million litres Belgium/ Lux 8.8% Sweden 7.0% France 49.5% Japan 20.1% US 11.5% France 8.4%

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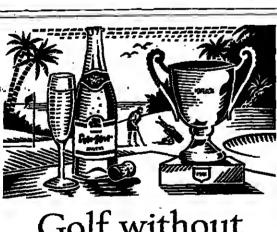
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12

THE INTERNATIONAL BUSINESS CENTRE: by Peter Wise

Haven of friendliness

Almost 2,000 financiers and manufacturers have registered at the centre since 1989

Two Dutch businessmen launched a line of knitwear last January under the hrand name "Quality of Life".

Madeira itself inspired the label, says Mr Bart de Roode. wbo co-founded the garment business in the industrial free trade zone of Madeira's International Business Centre (TBC)

three years ago.
"Quality of life is what you find here. I know of few places in Europe that score as highly in terms of the friendliness of the people, the way of life, the climate and the environment."

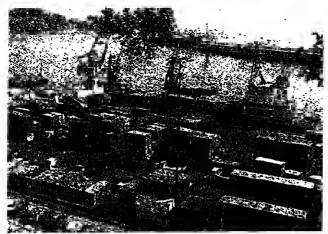
An attractive lifestyle is an important element in the success of the IBC, where almost 2,000 companies have invested. mainly in international services, since the centre began operating in 1989 under special tax concessions granted by the European Commission to stimulate Madeira's economic

Businessmen from northern Europe respond warmly to a localion where they rarely have to contend with traffic jams, crime, strikes, or pollution and will never bave to scrape frost from their windscreens before driving to work.

But they would not be in Madeira if it was not also attractive in terms of tax levels, costs and investment favourably with competing European centres such as Dublin, Luxembourg and the Channel Istands,

Mr de Roode and his partner. Mr Hugo Hasselaar, drew on their experience in cross-border investment and tax planning for multinational companies including Asea Brown Boverl, 1be Swedlsh-Swiss engineering group, before deciding on Madeira as a location for their own garmentmaking venture in 1993. "Our expectations have been more than fulfilled," says Mr de

The two men began by setling up a company, Florina, which now produces 60,000 knitwear garments a year for export to the Netherlands. It



unchal docks: invisible exports grow faster

employs 26 local people, mainly women, working 24 hours a day in three shifts and is based at Madeira's industrial free-trade zone, a 118-hectare site with its own port 8km

port facilities are available in Funchal, 30km to lbe west. They used investment incentives to cover most of the cost of purchasing four knitting chines and later decided to launch a second company MSCT. For this, they opted for a subsidy covering 95 per cent of the cost of seven months training for its 50 employees This included the trainees wages as well as the salaries, travet and accommodation

from the airport, Container

costs for instructors and the cost of training materials. The Madeira Development Company, the private-sector enterprise that runs the IBC later introduced MSCT to Calida, a Swiss multinational group. This led to an important long-term contract for MSCT to produce under garments for

The quality of the workforce among Madeira's most important attractions for Mr de Roode, "More than tax levels and investment incentives. people are the main element in the success of any manufactur-ing location," he says, "We

Calida that is likely to raise

MSCT's workforce to 60 or 70

hy the end of this year.

couldn't have hoped for more willing or effective co-operation from everybody on the island.

He adds: "We often have to speed up ontput to meet delivery dates, which are of vital importance in the fashion industry. Our employees have shown a ready understanding of this and are prepared to work extremely hard to comply with our schedules. They are willing to contribute their own deas and take on responsibili-

If the two men could have asked for more co-operation it would have heen from the banks. As relatively small foreign investors in Madeira, they found it difficult to arrange credit either from local banks. who knew little about them, or Dutch banks, who knew little about Madeira.

But there were financial compensations. In addition to traditional offshore operations. financial institutions are now able to incorporate new banks and insurance companies in Madeira, providing them with the benefits of subsidiaries exempt from all taxes and a passport to operate anywhere in the European Union.

The new benefit adds considerably to Madeira's combination of fiscal privileges and full EU membership. "This measure enables a bank or insurance company to be set up in Madeira in accordance with EU

legislatioo that provides the automatic right to open hranches or representative offices in any other member state," says Francisco Costa. chief executive of the IRC

From the operational point view, it is exactly the same as incorporating a new financial institutioo anywhere else in Europe," he says, "But banks that set up their headquarters in Madeira will also benefit from far better tax con-

A number of international financial groups are to be the first to take advantage of the new regulation hy setting up full subsidiaries in Madeira sbortly. Previously, banks and insurance companies could only open branches of existing institutions in the IBC

Madeira's offshore financial centre, where 35 inslitutions are already operating, is one of the four operational areas of the IBC. which, in addition to the industrial free-trade zone, also offers an international services centre and an internatlonal shipping register, all benefiting from tax, duty and exchange-control exemptions.

Companies based in Madeira enjoy total exemption from taxes on profits and capital gains until the end of 2011. Investors also benefit from total exchange freedom, including free repatriation of capital and profits, free transfers of funds used in commercial operations and complete free dom lo import capital.

Madeira believes its benefits compare favourably with other low-tax centres in Europe, such as the different services provided in Ireland. Luxembourg, the Netherlands and the Isle of Man. "Few other jurisdictions can supply the range of activities combined with full European integrallon, institutional reliability and tax benefits that Madelra offers," says Mr David Fiske de Gouveia. managing director of Madeira Management Companhia Limitada, one of the IEC's biggest providers of management ser-

While other fiscally privileged centres specialise in specific categories of investment such as bolding companies or mutual funds, Madelra aims to offer comprehensive and wellintegrated facilities covering all areas of industry, services, banking and shipping. "We have everything here and it is all an integral part of the EU," says Mr Costa.

Francisco Costa, founder and head of the IBC

Rules pay dividends

Mr Francisco Costa, the inspiration, founder and chief executive of Madeira's International Business Centre (IBC), is a tenacious fighter on behalf of a project whose reputation is largely based on bis overriding concern for

"Our whole emphasis is on providing a well-regulated environment for investors who wan! to set up sound, solid, respectable operations that are well regarded both within the European Union and world-wide," he says. "Madeira has invested

strongly in sound regulation and respectability," says Mr Carlos Loureiro, a Lisbon-based partner with international tax consultants Arthur Andersen, "Francisco Costa opted from the beginning for a strategy of caution, prudence and selectivity in developing lbe IBC. This is now paying dividends.

From the outset, Mr Costa identified one of Madeira's most important assets as membership of the European Union, providing investors in the IBC with both regulatory guarantees and Integration with the European market. including free circulation of goods and services and right of establishment.

Companies setting up in Madeira, an integral part of Portugal, are governed by the central bank regulations as their counterparts on the mainland and consequently enjoy the same guarantees of legal credibility and onomic soundness

This also makes administrative procedures more costly and time-consuming than in more deregulated centres. But Mr Costa is not interested in investors attracted by that kind of facility. Part of his efforts have been to dispel any conception of Madeira as a tax haven. It is not even strictly an offshore zone, he says, but a business centre

with special tax privileges. Companies in the IBC operate within an EU-wide regulatory and reporting framework. "It is a base for legitimale international tax planning that can stand up to scrutiny," says one foreign

tax consultant. "Companies that don't like disclosing their accounts will not be attracted there.

soundness and respectability are reflected in the type of companies that Madeira attracts." says Mr David Fiske de Gouveia, managing director of Madeira Management Companbia Limitada, which provides management services. "Groups that are international bnusebold names are setting un companies here as part of



Costa: no welcome for companies that conceal their accounts

their world-wide networks. The IBC enables them to enhance their overall tax-planning nn a cost-effective basis."

Mr Costa conceived the idea of the IBC in the mid 1970s with a gronp of Madeiran businessmen who saw such a centre as a new opportunity for the development of a remote region of Europe with few natural resources and limited scope for industry hat which has an attractive environment and a long traditinn of excellence in services.

The first draft of legislation for the centre was drawn up in 1980. Portugal jnined what is now the EU in 1986 and the European Commission and Portugal's central government agreed to grant Madeira tax and nther fostering the island's development. After a complex process of negotiation and

legislative improvements, the IBC began licensing companies in 1989. Almost 2,000 companies are now

Mr Dionisio Pestana, the son nf a Madeiran emigrant to South Africa, who now owns one of Portugal's biggest hotel chains, is the main investor in the Madeira Development Company. which runs the IBC. The regional government has a 25 per cent halding; the remainder is privately owned The company, which is spending Es250m (\$1.6m) nn romotion and marketing this year, reported a net

profit of Es290m in 1995. Mr Costa is notable for his efforts to improve and promote the IBC. These involve extensive travelling un marketing tours and a constant struggle for better regulations and conditions.

The most recent setback to the IBC was the exclusion of Madeira from a bilateral tax treaty recently signed between Portugal and the US after years of tough negotiations. In January 1994 Denmark severed its bilateral tax agreement with Portugal, partly because it considered Danish investors were using Madeira to abuse Danish tax law.

The exclusion of Madeira from any of Portugal's hilateral tax treaties is totally incoherent," says Mr Costa, "It doesn't make sense for companies in Madeira tn be excluded from these agreements when they abide by all the nther rules and obligations that apply to companies based anywhere else in Portugal. We are working hard to ensure that this issue is reconsidered." Mr Costa remains true to

his aim of using the IBC to advance Madeira's development. He can point to the creation of 1,000 inbs in the industrial free zone and almost as many in the international services centre. For every one job created directly in the IBC, two more are created indirectly in Madeira, he reckons. The Madeira Development Company's staff of 24 are all recruited in Madeira

When Mr Jardim took his

degree, he was one of only 40

university students from

Now 1,000 Madeiran students

attend university, two-thirds of

them with financial support

from the regional government.

best means of development.

Democracy and reginnal

"I believe education is the

Madeira.

Peter Wise

Benefits of the free trade zone

Companies setting up in Madeira's industrial free trade zone can draw aid from Portugal's Industrial Incentives Programme (PEDIP II), part of an Es4,450bn (\$27,5bn) EU-financed Regional Development Plan for 1994-99. They are also entitled lo

- exemption from: corporate tax and municipal property tax on income from operations in the zone until the vear 2011: transfer tax and gift and
- capital gains tax on the sale of fixed assets:

withholding tax on loans

inheritance tax on the acquisition of real estate:

COMMERCIAL BANKING

- rates and local taxes;
- from foreign banks and on bonds issued by the companies, provided the funds are used exclusively for investment: withholding tax on royalties
- and other payments for know-how transfers. investors in the capital of companies set up in the zone
- also benefit from: complete exemption from withholding and Income tax on dividends, interest on shareholders' loans or any other type of income from zone-based companies;
- exemption from transfer tax and gift and Inheritance tax for all transfers of shares or other forms of participation in the

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Banco Espirito Santo, Madeira Offshore Branch

canital of companies operating exclusively in the zone. Other advantages for

- manufacturers include: total exemption from value-added tax (VAT) and customs duties on the Importation of goods to be stored and/or worked on in the zone, and on equipment to be used by companies operating in the zone:
- exemption from export quotas; Incentives for
- energy-efficient manufacturing readily available factory and warehouse facilities:
- labour incentives that cover most staff training costs.

PROFILE

Regional President Alberto João Jardim

Two decades at the helm

Mr Alberto João Jardim, president of Madeira's regional government, cut a dashing figure at the island's carnival cel-

ebrations last February. Dressed in a gold lame dress and a blonde wig. hls five o'clock shadow faintly visible beneath heavy makeup, be swept along with the parade. blowing kisses and exchanging

racy quips with the crowd. Mr Jardim, 53, one of the ongest-serving elected leaders in Europe. is the antithesis of the reserve, decorum and old-world elegance that most outsiders bave associated willi Madeira since the Brittsb aristocracy began spending its winters on the island in the

18th century A convivial, good bumoured man who can be counted on to speak his mind at every opportunity, he has come lo symbolise the passing of the old order in Madeira, dominated by powerful families, mostly British, and the emergence of a more open society less rigidly stratified

into classes.

"The old Madeira was a disaster," be says. "It was a colonial situation. Essentially, the problem was the difference hetween classes. I am not a Marxist, I am not a socialist, But there were very unjust class differences. Madeira was a very formal, bierarchical

Radical change began in 1974, when young army officers on the mainland overtbrew Porlugal's authorilarian regime and a modern democracy was gradually established. Mr Jardim was then a secondary school teacher who bad taken 13 years to obtain a law degree an extended course of atudy due, Madeirans say, to bia fondness for late-night

He first came to prominence by cootributing articles to the Jornal de Madeiro, a daily newspaper run by the Roman Catholic Church, in which he took a firm stand against a left-wing push for power in Portugat during what bas become known as the "long, hot summer" of 1975.

He joined the newly-formed centre-right 5ocial Democrats (PSD) and went on to be

elected head of the regional government in 1978, after the island bad been made an autonomous regioo of Portugal. Since then, he bas

never looked back. In October, he will fight his last regional election, baving won the four previous ones. and is almost certain to be re-elected. A victory would keep him in power until 2000. After thal, be says, he will stand down. "If I am re-elected,

Portugal's general election last October. But Mr Jardim's party still carried the island as a He is proud of the way Madeira bas changed over the

opposition Socialists in

Funchal, the island capital, in

per cent of the people of Madeira were illiterate, now

the rate is 10 per cent. There is

per cent of thal on the

mainland, now it is 70 per cent.

Unemployment is 5 per cent and we have virtually brought

Madeira once had only one

secondary school - in Funchal.

Now, every town has one.

emigration to a halt."

"Our GDP per capita was 40



Alberto João Jardim: presiding over the passing of the old order

I want to prepare a successor to head the PSD in Madeira,"

Even his slernest critics acknowledge that he is a forceful voice for Madeira ose determination has been singularly successful in winning support for the region from the European Union and the central government tn

Most of the large inflow of funds has been to the public sector, improving living atandards, particularly for the rural poor, by providing new schools, bealth ctinics, roads and other infrastructures. The boom in public works and soctal services bas also created new jobs that are better paid and less gruelting than working the land.

It is in the rural regions Ihal Mr Jardim'a strongest support lies. For the first Ilmc, the PSD to Madeira lost to the

past 20 years, changes that he sees as the main reason for his popularity. When I came to power, 40

autonomy are better defended if we have more educated people," be says. "They may not have the same ideas as I have. But I am

not afraid of the generational conflict. Our young people must be free. They have to find new challenges and new answers for Madeira." He now speaks respectfully of the old British families. some of wbose present-day members, he notes, are entrepreneurs competing on equal lerms with a few hig groups run by young Madeirans from emigrant families. "There are some rivalries between the new and old groups, but in a market economy t think that is good for the region."

He accuses some of the old families of aligning with the Socialists against the PSD and resents what he sees as persisten opposition from the Diario de Noticias. Madeira's main daily newspaper, which is owned by the Blandy others group. But, be adds: have never refused the Blandys or any other group all the support that the government can give. I do not confuse politics with the economic interests of

Peter Wise



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soft blue line, a car's width from the pavemant, has started to appear on some of Rome's streets. The purpose of this mysterious demarcation bas become obvious all too quickly with the installation of an aggressive looking machine dispensing parking tickets. A system of paid-for parking has been introduced at L2,000 (84p) an hour between 7am and

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Ilpm every day except holidays.
Rome's municipal authorities had
the sense to tread softly, allowing a trial period in which polite warnings of fines, on red paper, are tucked under wipers. But the effect has been dramatic. Instead of com-muter cars crowding out residents, the streets are empty except for residents, who can still park free. No

one wants to buy a ticket.

Educating Romans to pay for leaving a car on the road is a highly unpopular idea. Traditionally, park ing has been free, the prize for the skill and enterprise essential to find or invent a space. Alternatively,

parking is controlled by unofficial attendants (usually wearing offi-cious caps) who will obligingly keep

your key, guard your car and move it when necessary. These men earn considerable sums. Motorists will-

ingly pay them.
The more "civilised" cities of northern Italy long ago introduced paid-for street parking. The absence in Rome of auch a system has always been justified by a tacit pact between the authorities on the Campidoglio (the seat of city hall) and Romans to the effect that so long as public transport remained poor, traffic chaotle, and parking space limited, motorists would not be penalised.

Tha changes are now being rung by Francesco Rutelli, elected from the ranks of the Greens as Rome'a mayor in 1993 at the head of a cen-

DATELINE

Rome: the city is about to get its biggest infrastructural overhaul since Mussolini imposed his neo-brutalist town planning, writes Robert Graham

tre-left ruling council. Rutelli believes he is in a position to promise (though not yet offer) better services, partly because Rome is about to gat its biggest infrastructural

overhaul since Mussolini imposed his neo-brutalist town planning. The occasion is the Jubilee year 2,000, embracing two inter-locking celebrations. One is sponsored by the Vatican: the 28th Jubilee year

since the concept was introduced in 1300. The other is the Eternal City's

Eternal City seeks silver for Jubilee

own celebration of the onset of the 21st century.

The Holy See expects to welcome 20m pilgrims in four years' time though some believe Rome might bost almost doubla that number. Rome and the Lazio region will need buge improvements in infra-structure: a challenge with which Rutelli and bis team have been

struggling for two years. A list of priority projects has been prepared by the Campidoglio with the Vatican: a complicated affair as it involved a sovereign state. These the Colosseum to St Peter's, restora-tion of ecclesiastical monuments and building of new churches, and hostel accommodation for pilgrims. Two key issues are unresolved:

funding and management.

Rome has been looking for substantial state funding. The 68 main projects carry a public price tag of L3,400bn, but the previous Dini gov-ernment felt it lacked the political authority to ear-mark such a sum to be spent mainly by a centre-left municipal administration. Political seositivities were aggravated by moves to control the management of the Jubilee by setting up a special agency.

Rome still suffers the conse-

quences of the waste entailed by Italia 90: the World Cup football finals in 1990. The government tram line, eight unnecessary metro stations, plus a new airport train terminal, abandoned because of its poor site.

However, the advent of the new Prodi government has allowed a fresh start. In fact, the Jubilee funding and management issues were unblocked last Friday in the first week of the new administration. The state will stump up L3,400hn, though the money will not ba administered via a special junior minister for the Jubilee as requested by Rutelli. The mayor'a request was discarded as the various partners in the centre-left Olive Tree coalition could not agree on who should fill such a post. Each party wanted its own candidate to control such immense patronage.

The management compromise

takes the form of an inter-ministe rial commission with overall responsibility under premier Romano Prodi. The government will buy a 51 per cent stake in the agency set up by Rutelli to prepare the Jubilee's technical side. The government will be represented by the ministries of culture, environ-

ment, public works and transport.

Already Antonio Di Pietro, the former anti-corruption Milan magis trate recruited this month into the public works portfolio, has shown his mettle. Within bours of the cabinet approving the Jubilee funding, be announced the appointment of a special Jubilee official and almost succeeded in controlling everything.

Di Pietro's presence should guar antee that public money will not be squandered or siphoned off by cor-ruption. But even this high-profile political neophyte may find the pub-lic works timetable beyond his con-trol. With only 1,300 days left, work too late to be ready on time.

Ross Goobey attacks "Catch 22"

High hopes are pinned on the new chairman of the PFI, reports Andrew Adonis

ince its launch three years ago, the UK government's vaunted Private Finance Initiative has been caught in almost a Catch 22 situation.

The PFI's objective is to get tha private sector to play a central role in financing and managing public sector investment. But to negotiate this new relationship, contract by contract, Whitehall's politicians and civil servants need those very private sector skills and attitudes which they are seeking to acquire as a result of the PFL

The Treasury's main escape strategy has been to recruit teams of private sector executives to act as spark-plugs across Whitehall. This has been done under the aegis of the Private Financa Panel, a Whitehall agency funded by the Treasury but working at arm's length.

The appointment this week of Alastair Ross Goobey, prominent City investment manager, as the panel's new chairman is the latest attempt to give impetus to the panel's work

For Ross Goobey, chief executive of Hermes Investment, which manages Britain's post and telecoms pension funds, it is a third stint as a semi-detached Treasury trouble-shooter. A former special advisor to Lord Lawson in the run-up to the 1987 general election, and to Norman Lamont in the year before the 1992 election, Ross Goobey is accustomed to having the run of the Treasury to help chancellors out of

this time Ross Goobey insists his efforts have nothing to do with boosting Tory fortunes. "The PFI is not a partisan policy," he says. "Both parties are committed to the principle of improving public services by greater use of contracting. The challenge now is to accelerate the PFI through its delivery phase." In some areas the delivery phase

has arrived. Ross Goobey cites transport, health, prisons and information technology as sectors now producing a steady stream of contracts. "Now that we have got satisfactory templates in these areas, the job is to get a steady stream of



Alastair Ross Goobey: third stint as a semi-detached Treasury troubleshooter

contracts signed and started." He notes the irony that some of the areas causing most PFI problems, such as the provision of new feature long established public-private collaboration. "The critical aspect of PFI is the transfer of new risks to the private sector," he says. "In the case of property, the industry is having to adapt to the fact that old-style sale and leaseback deals are simply not on offer.

"Property developers are used to the old days of the Property Services Agency [the Whitehall unit formerly responsible for office accommodation), which was the developer's friend. The public and the private sectors must both adapt to new conditions."

In an area such as prisons, where

there were no private operators are extremely wary of the PFL prior to PFI, he believes it has Contractors complain los proved easier to secure innovative contracts offering improved value.

Prisons highlight the political

friction over PFL Jack Straw, the shadow bome secretary, bas condemned privately managed prisons as "morally repugnant". And there is controversy about the extent of contracting within the National Health Service Ross Goobey neatly sidesteps

these brambles. "It is up to the politicians to decide which services are provided by contract and which directly by the public sector," he "We will work to their brief." Whiteball is only one of Ross Goobey's concerns. Equally impor-

tant to him are potential contrac-

tors and financiers, many of whom

Contractors complain loudly about the expense and delay involved in negotiating PFI conpany, joined the chorus last week saying it would not tender for fur-

ther PFI road projects.

Ross Goobey has nothing new to offer them except a sympathetic ear and assurances that recent changes to procurement guidelines "will improve the bidding process". The funding aspects of PFI are his forte. Hermes, the fund ba manages, is a principal backer of Innisfree, the first equity fund dedicated to

investing in PFI projects. He says innistree has raised more than £50m to commit to the PFI and is examining sultable investment opportunities. The PFI has so far

been dominated by project finance bankers, with projects largely debt financed. People will want to see whether Innisfree works, but if it I would expect to see a number of me-too equity funds before long." Is there a conflict of interest

between Ross Goobey's City and Treasury roles? He stresses that as non-executive chairman he will not be party to any individual contract However, his hands-on knowledge

of PFT is why he was recruited in the first place. "Ministers believe it is better to have people on the private finance panel who are involved in some way than people who are totally unfamiliar." Otherwise, he implies, there may truly be no escape from the PFTs Catch 22.



Lord Fixit champions horseracing

ord Wakeham - chairman of Britain's Press Complaints -Commission, debt mediator to Eurotumnel and chief frontman for the troubled sport of British horseracing, among other things - has been a prominent Mr Pixit for more than a decade, write Tim Burt and Michael Thompson-Nöel in London.

He first earned his Fixit tag in politics. At Westminster be was the Conservatives' chief whip, helping support Margaret Thatcher's leadership by pressing Tory MPs to toe the line. He also served as energy secretary, leader of the House of Lords and lord privy seal. Once he stood back from politics, his talents won a host of business offers.

Last week Wakeham told analysts following Vosper Thornycroft, the warship builder where he is chairman, that his former political contacts were proving most helpful. Observers have renamed him Lord

A former accountant, Wakeham now has about 10 directorships - a fraction of the 62 he handed before entering politics in 1974. He declines to rank them, saying only that he manages to divide his time evenly.

His resolve has won admirers among those who expected him to withdraw from public life after the IRA bomb in Brighton in 1984 which killed his first wife. Wakeham rarely talks about that time, but has said: "It has rounded my character a bit. I am not so argumentative as I was. It has belped me

become a better fixer." One of his lesser-known missions is his role as chief spokesman for British horseracing. On June 7 he becomes chairman of the British

Horseracing Board. The post is not at all cushy, for it will be Wakeham's task to peddle the interests of this large and complex sport in the corridors of power.

There are still plenty of raceborses, racetracks and racegoers. And an estimated 100,000 people still earn a living from the betting and racing businesses, which generate large sums in betting duty (more than £350m annually).

But the sport is looking jaded. Betting turnover is down, mainly because the bookmaking business has done almost nothing to modernise its appeal or claw back custom from the national lottery.

As a consequence, prizemoney levels are threatened, damaging the sport's allure among rich but gimlet-eyed racehorse owners. Nursing this ailing sport gingerly towards the millennium may prove Lord Fixit's fiercest challenge.

More juggling for IRI's industrious Pietro Ciucci

IRI, the Italian state bolding company, has signalled its intention to press ahead with privatisation by promoting Pietro Ciucci to No 2 in the hierarchy, under chairman Michele Tedeschi, writes Andrew Hill in Milan.

As IRI's finance director for the last three years, Ciucci, 45, bas played a central role in selling IRI's most valuable assets. And he knows just how desperately IRI needs to sell off remaining jewels, including its majority stake in Stet, the telecommunications bolding company where he is a board member. IRI faces the wrath of Brussels if it does not reduce its looming debt by the with the European Commission three years ago. One of Cincci's juggling acts will be to achieve that target while injecting cash into Alitalia, the struggling airline controlled by IRL

Ciucci will be filling the shoes of Enrico Micheli, IRI's managing director. Micheli has been named under-secretary to the new prime minister, Romano Prodi, who is himself a former IRI chairman. Italian public sector protocol means thet Micheli retains the title of general manager, but Ciucci - officially Micheli's deputy - will take on all

or or property of a covered. Call for a full information pack on +44(0)171 825 7907 Job title Address Postcode Type of Business FT YES NO [plete and post to: FT PROFILE. lon, Fitzroy House. FT Information, Prozest House, 13-17 Epivorth St., London EC2A 4DL Tel +44(0)171 825 7907 Fax +44(0)171 825 7999 FINANCIAL TIMES ET PROFILE - If you're online, you're in business



Robert Chote · Economics Notebook

Mist clouds crystal ball of statistics

Doubt about the data of past, present and future undermines any forecast

The life of economic forecasters would be a great deal easier if the future was all they had to worry about. Unfortunately, their ability to discern where an economy is going is severely hampered by imperfect knowledge of where it is now and from whence it has come.

That problem is no doubt weighing beavily on the mind of Alan Budd, the UK government's chief economic adviser, as he and his colleagues prepare the Treasury's summer forecast for release in early July. As things stand, offi-cials expect to revise down a little the 3 per cent growth forecast for this year in last November's Budget. Ironically, this would probably take it closer to the figure they were in fact predicting last autumn before the chancellor nudged it up ahead of publication.

The arithmetic is compelling. Last week the Office for National Statistics stuck by its assessment that the economy expanded by 0.4 per cent between the fourth quarter of 1995 and the first quarter of this year. If the Treasury's forecast were to be fulfilled, this would demand that the economy expand by about 1.2 per cent a quarter during the rest of 1996. Like most forecasters, the Trea-

sury expects the economy to accelerate later this year as exports revive, investment picks up, consumer spending forges ahead and as companies' stock levels stabilise. But for growth to rebound immediately to twice its long-term trend rate is clearly implausible.

Even so, it is still a little too soon to dismiss the Budget growth forecast as just another piece of wishful thinking. It is an unfortunate characteristic of year-on-year output comparisons that they are

unduly sensitive to events at the turn of the year. And the statisticians' assessment of what the economy was doing then may look very

different next month. That is because June will see tha Office for National Statistics reappraise the recent history of economic growth as it compiles its annual Blue Book of national accounts. This could generate significant revisions as it takes account of information, real seasonal trends, and makes methodological changes.

The chancellor's growth forecast

may yet be rehabilitated because we take a different view of the past rather than a different view of the future. Remember that even Norman Lamont's much-ridiculed sightings of the "green shoots of economic spring" in late 1991 look rather more prescient with the benefit of hindsight than they did at

In assessing the short-term dynamics of the economy, the biggest problem facing statisticians and forecasters is the stock cycle. Counting the unsold goods which companies have in their ware-honses is a hig beadache. Regular surveys are undertaken, but they are far from reliable, so when the statisticians discover that changes in national output differ from changes in national spending, it is tha stock figures they massage to bring them into line.

Even if the statisticians were able to tell us exactly what had happened to stocks, the implications would be far from clear. Stocks may build up either because companies have not sold as much as they expected in the past, or because they expect sales to pick up in the future. Conventional wisStock adjustment: past or yet to come? ratio, 1990 prices (1990 C1=100) -0.50 1988 90 92 94 95 - 95

dom bas tt that mannfacturers were caught out by the weakness of demand last year and that they have therefore suffered an involuntarv rise in stocks.

Factory output has fallen now for two successive quarters, suggesting that companies have been tackling these excess stock levels by meeting demand from the storeroom abelf. But figures last week suggested that although companies were accumulating stocks at a slower rate, they might not have mada much progress reducing them to satisfactory levels.

Similarly, the Confederation of British Industry's latest survey of manufacturers showed excess stock levels reaching a five-year high But, like the official figures, this needs to be treated with caution: the rise of just-in-time inventory control may mean companies are simply being more demanding.

If we take the official figures and survey evidence at face value, the divide within Britain's two-speed

economy is going to widen further Consumer spending growth may accelerate from its present twoyear high, while the technical recession in manufacturing might lengthen and deepen. Understandahly, policymakers are not sure how to react, not least because one

As officials at the Treasury and the Bank puzzled over these uncartainties, Eddie George, tha gover-nor of the Bank of England, mounted an interesting defence of tha authorities' overall policy approach at the University of

wave of the statisticians' wand

could make this picture look very

He said the basic aim of monetary policy was "to maintain macro-economic stability by keeping aggregate demand in line with productive potential as it evolves over the medium and long term".

One option he argued against was explicitly targeting economic activity to keep output at its poten-

"natural" or non-accelerating inflation rate. The main problem, as this week's report by the chancelstrate, is that no-one knows for sure what the natural rate of unemployment is and, therefore, what the level of potential output is. He might also have added that statistical problems mean we cannot even be sure what the actual level of output is, which makes the gap between actual and potential output doubly uncertain. Not surprisingly, the governor

came down in favour of the current system - setting interest rates to achieve a target for inflation two years' ahead by means of a forward looking forecast.

But this is a little disingenuous.

essments of the output gap and of where unemployment lies relative to the natural rate are, for all their uncertainty, central to infla-

The Bank and the Treasury should be a little more bonest about this. By concealing the miniforecasts on which monetary policy decisions are often based, the min utes of the meetings between the governor and chancellor convey the misleading and damaging impression that policy is based more on shortsighted assessment of the latest monthly numbers that forward-looking analysis.

Now that the Bank of England and the National Institute for Eco-nomic and Social Research are popularising the presentation of forecasts as probability ranges rather than point estimates, surely the public and the financial markets can be trusted with a fuller explanation of the predictions on which policy decisions are based.

The company that came in from the cold

side town, is an unlikely place for a revolution. But that is not too strong a word for the changes unfolding at Lec Refrigeration, a large UK white-goods manufacturer which is trying to shift its manage-ment thinking several decades in the space of about 15 months.

Habits developed over more than 40 years since the company was set up in Bognor by Charles Purley, an entrepreneurial for-mer fishmonger with an autocratic streak are being turned on their bead hy a crasb programme in worker empowerment.

All 1,000 Lec employees are being trained in a series of two-day "workshops" to come up with their own ideas for improving the company rather than having changes

imposed by managers.

The workshops are supervised by Sid Joynson, a blunt-speaking aud highly unconventional management "facilitator who refers to shop-floor workers as "heroes" and has unprintable views about many current management practices.

There is a faint air of anarchy about the plant, as the company attempts a complete change in corporate style. The effort is likened to "trying to roller skate while playing Nintendo", hy Terry Mahoney, Lec's production director who was brought in last October to oversee the changes.

Catalyst for the switch in philosophy was the £22m takeover of Lec in 1994 by Sime Darby, a Malaysian industrial conglomerate encompassing more than 200 companies with activities including tyre and latex manufacturing, oil and gas, property development, heavy equipment distribution and car sales. In the early 1990s the UK company had run into losses, as competition hotted up in the £3bn a year European refrigerator market.

Sime Darby sees Lec, which turns out 250m worth of products a year and where about three-quarters of the workers are on the sbop-floor, as a strategic asset helping It to branch into European manufacturing. The Malaysian giant bas spent £30m

building a gleaming new refrigerator factory, now nearing completion next to Lec's rambling and old-fashioned premises in West Sussex. Further investments are likely in the next decade, possibly taking Lec into other areas of consumer goods.

But largely on its own initiative, Lec realised that to take maximum advantage of Sime Darby's strategy, it had to change. That meant casting off its previously "topdown" management approach, and bringing in Japanese-style koizen techniques in which workers are trained to work in teams and devise solutions to production problems largely independently of supervisors.

Sucb programmes are far from new. They have been brought in hy many manufacturing companies, particularly in Britain, as a response to the competitive threat from industrial groups in East Asia. However, many companies that engage

consultants to unleash the entrepreneurial energies of their employees "create a strategy hut go only a tenth of the way to making it happen", according to Graham Williams, general manager of CSC Manufacturing, part of the US-owned Computer Sciences Corporation and a leading consultancy in "continuous improvement" work

The background to the changes is the fierce competition in the European domestic refrigerator business. The main players include Sweden's Electrolux, the German Bosch-Siemens group, the US's Whirlpool and Hotpoint, owned jointly by Britain's GEC and General Electric of the US.

Asian suppliers such as Matsushita of Japan, and Samsung and Daewoo of Korea, are also viewed as a hig longer-term threat. In this environment, modern and flexible production techniques giving companies an ability to react quickly to changes in the market are a "key aspect to competitiveness", according to Scot Stevens, publisher of Appliance, a Chicago-based magazine covering white goods.

According to Mike Paige, a toolmaker who has worked 43 years at the company, Lec until recently was "a company stuck in a time warp". Until about a year ago, he says, "no one [from management] ever asked me my point of view".

Many of the characteristics of the Bognor company are due to Purley, one of Britain's most remarkable, though least known, industrial entrepreneurs.

Purley had few educational qualifications. In 1940 he started making fridges for his

Brighton each day to buy fresb fish. Buyers for the machines came forward and in 1942 in Longford Road, Bognor, he established Lec - short for Longford Engineering Com-

Under the stewardship of Purley, who remained chairman virtually up to his death in 1991 and was the largest sbareholder, the company steadily expanded. But It retained an idiosyncratic, inward-looking style, according to Ken Cox, Lec's managing director who took over the top joh shortly before the Lec takeover after nearly 30

years with the company.

According to Cox, who was formerly Lec's sales director, Purley eschewed modern management thinking, "He was intensely patriarchal, and committed to the company. It was his escape, his garden shed, his whole life.

However, he brooked little argument from subordinates. "The company conformed to how it had always been run. Several times it came close to collapse. It never ceases to

amaze me that we survived," says Cox.
Purley's approach is now being turned upside down in the existing Lec factory due to be gradually wound down over the next few years - where large white boards are dotted around close to production equipment. Workers are sticking on to these hundreds of small Post-It notes suggesting switches in working practice, according to guidelines established by Joynson in his training workshops.

The notes are coloured red for describing specific problems, yellow for facts about division of Laird, the UK construction



these cases and blue for ways to improve matters. The workers are divided into teams of up to 20 people and are given responsibility for sorting ont production hiccups, or improving quality through cutting defects, with relatively little involvement by senior managers. Also festooned about the plant are Joynson's slogans, such as: "We attack problems, not people."

The ideas being introduced at Lec cover anything between altering the packaging for finished fridges to switching to new systems of adding insulation materials.

Maboney says that by themselves none of the hundreds of employee suggestions bubbling up from the shop-floor is particularly radical. Taken together, though, be believes they should improve factory productivity by 10 per cent over the next cou-ple of years. "By the end of this year [when the worksbops should he finished] we should be getting an extra film a year free production." he says.

Joynson says many of his ideas have come from copying Japanese-style working practices, most notably practised by Toyota, Japan's biggest car maker. He teaches employees to take responsibility for their actions by breaking work down into small segments, identifying problems and then working methodically to solve them.

He is contemptuous of much of current management practices, embodied in a string of what he says are faddish names such as re-engineering.

"Companies tell me they are investing in their people," he says. "I tell them I don't want to invest in people, I want to set them

Jovnson started his career as a teenage foundry worker in Yorkshire. He has worked for blue-chip companies including British Petroleum, Glaxo Wellcome and the Swiss engineering company Suter. But he is not to everyone's taste. One manager wbo used his services at another plant says be found Joynson too confrontational.

More positive, however, is Peter Stewart. a business development manager at the electricity generator PowerGen, which engaged Joynson to "empower" several hundred power-station workers. Joynson, says Stewart, "breaks down inhibitions" and "has a hig effect on the bottom line". while John Garnett - chairman of the £250m-a-year turnover security systems group. - says of the kaizen expert: "He helped us to improve our performance and productivity at a rate that was unimagin-

Sentiments from the Lec workers so far are generally positive. "Until two years ago we were all kept completely in the dark [by the management]." says Graham Richards, who has worked at Lec for 20 years in the sbeet metal shop. "Now the atmosphere is a lot better, we're all being asked to make a contribution."

Lec's version of a Mao-style cultural revolution is not without its problems. It means lots of ideas bubbling around with few people having an overall grasp of every aspect of what is happening. Also supervisors, or "charge hands", have to adapt to a new role of "coaching" employees to make suggestions rather than issuing orders. However, the new arrangements can be a

lot quicker in getting results; one tooling problem, for instance, was solved almost immediately by the worker concerned ask-ing a toolmaker to change a mould, in the past he would have had to go to an engineer

Vernon Jones, one of the charge hands, who has now rechristened his role as a "team leader", says he has adapted to the changes. Jones, who supervises about 30 people, says: "I used to be like a headless chicken chasing people around telling them what to do. Now I've slowed down, trying to guide people to see where problems are and the joh's easier." The company has also taken on a new quality manager, Adrian Brunton, who previously worked in the electronics industry, to impose some pat-tern on what might otherwise be fairly disorderly changes.

No one at Lec doubts that the going will not be hard. "When we started this programme at the end of last year we were at the bottom of division three (in the UK foothall league] and we're now about half way up. But in two years I think we can be in the premier division," says Mahoney.

As for Cox, he is pleased to turn his back on the last 30 years. He says he has become a wholesale advocate of the changes, getting involved himself with regular kaizen "improvement" meetings with the shopfloor staff. "It's exciting seeing people blossom," he says, "People who have been at the factory for years pop out of the woodwork and become leaders overnight."



Stammer

Nearly 40 years ago David Adams was sacked from his first job; in a bank, because he stammered. "The bank felt that I could not be promoted to do jobs which involved communicating with the

public," he says.

Adams is now chief executive of the Railways Pension Trustee Company, which administers the £16.5bn railways pensionfund. He admits that stammering has been a constant factor in his life. It caused low self-esteem and he still gets irritated at times with his handicap, which he describes as minor. Some days are better then others, but I take it one

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day at a fime," he says:
Approximately 1 per cent of the working population stammers. The causes are not properly understood. For adults there is no reliable "cure" although the problem can be managed through techniques including breath control.

Many stammerers believe the speech impediment causes job discrimination, Tim Shanks, development officer of the **British Stammerers Association** says that 60 per cent of respondents in a survey of essociation members said they had experienced difficulty in either getting a job or had

problems securing promotion.
Shanks says: "Some employers feel uncomfortable when they interview a stammerer or else they feel that the stammering individual does not convey to customers the corporate image they want to project. They may also believe that the individual is neurotic; but research shows that stammerers basic psychological make up is no

different from non-stammerers."
Until the recent Disability Act was passed last year it was not illegal to discriminate against..... in Individual because of his or her disability. However, the new act will make it against the law to treat a disabled person less favourably than others, unless ere is good reason. Whether or not this will be applicable to people with stammers is not yet clear, there being no official list of disabilities within its remit. An extreme case of perceived. discrimination occurred two s ago when Do aged 26, shot himself after be was rejected for a series of jobs

diary he wrote: "Every damn employer sees it [stammering] as a problem. Your ability is not in question - but the statter is." The catalyst for his death was a prospective employer who told him that he could have a job if he sorted out his impediment. Shanks says that he suffered from a lack of self-confidence

because of his stammer. After leaving college be took on manual jobs where talking was not part of the work. His life changed after he received therapy which taught him to accept his stammering and to be open about his speech difficulties.

Adams advises people in . . . conversation with a stammerer not to show impatience. "It only makes the stammerer nervous, he says. "I also get irritated if people finish my words for me."

interviewing stammerers, he says, can be difficult. "Some stammerers may think that I am trying to empathise with them, be says. He would not discriminate in favour of a stammerer. The issue is whether the individual is willing to try and take on responsibilities which would require communicating clearly, he says.

This is the first in a short series.

Lisa Wood

Time management? Get a secretary

the line at taking her mobile phone into the lavatory at work, but apart from that she will do anything for Simon, ber boss. Not only does she organise him, humour him and make him cups of tea, she protects him from himself. When he came back from lunch one day having fallen out with a husiness associate she sat on the fax machine to prevent him from sending a furious letter that would have only made matters worse. Halfway hetween nag-bag and therapist is bow she described her role.

Simon and Caroline were one of several boss/secretary teams that paraded their relationship in front of millions of viewers last week for the first of a BBC series on secretaries. I'll Just See If He's In.

More hair-raising still was the relationship hetween the chaotic Julia Cleverdon, chief executive of Business in the Community, and her disciplinarian secretary, Bernie Hearn. Bernie calmly explained that she uses a network of spies to ensure Julia sticks to her schedule. and that sometimes she has to lock ber wayward boss into her office to force her to get on with her work.

Tha programme's message was not subtle: secretaries are extraordinary, multi-talented people who keep their difficult, volatile bosses on the rails. They are put upon, uncomplaining and unsung.
In real life, however, there are

just as many secretaries who spend all their energies sorting out their social life, fussing about how many calories they are eating, and who have difficultly taking down the simplest phone message correctly. But whether good or bad the secretary makes a vast difference to the boss's performance At worst, she (for it almost

always is she) can make him (for it usually is him) disorganised and resentful at having to do a thousand extra tasks that could be delegated. At best, she keeps his diary, knows who is important and who is not, covers up for him, reads his



Lucy Kellaway

mind, acts as his memory hank, advises him and bolsters his ego. In short she becomes essential to his success. When be moves jobs, he

takes her with him.
I remember visiting Lord Young when he was still at Cable and Wireless and meeting his secretary who had then been with him for 16 years. She composed all his letters, and her firm manner gave the impression that he'd have been a lesser man without ber.

There is nothing startling about the revelation that secretaries matter, but its implications generally go unrecognised. Just thmk about all those hundreds of volumes that

have been written on the theory of leadership, with their scores of dif-ferent definitions of what makes a good leader.

Nowhere on those lists appears the requirement that a good leader must have an excellent, compatible secretary. By thinking of boss and secretary as a complementary unit there is no longer any need to send the boss off on all those time management courses - which he is never going to get the hang of anyway. Much better to hire someone like Bernie Hearn as a secretary, and let her get on with it.

In case there are any secretaries reading this In the US, please

-word. I gather you find the term offensive, and would rather he known as a "personal assistant". But if you'll forgive me for saying so, I think you are being a bit over-

My dictionary says a secretary is one who assists another with the routine organisation of his business". I can't see anything wrong with that. Granted, secretaries generally do not get the credit they deserve. But that, alas, comes with the territory and not with the name.

Last week I wrote about self-important management consultants. This week I am knee-deep in self-important letters assuring me of what an excellent job they do. Thank you, Mr Ludwig Kanzler, for your letter (published in the FT last Friday) pointing out that consultants work long bours.

I was, in fact, well aware that consultants spend all their week-

so that the same is possible for their Maybe it is too cynical to suggest that consultants work so hard hecause they get paid by the hour. But either way, surely they could just hire a few more of those people who are dving for a joh in consulting and then spread the work about

ledge does not endear them to me.

The managers I admire most are

those who do their work well but

also have a life outside work, and

who construct their organisations

Suggest as much to any manage ment consultant and they will protest that you do not understand how they work. They will say that their work is not divisible and that's that. I might not he a management consultant but I can at least spot an argument designed to preserve existing working practices We all think change is impossible in our organisations even if we earn a living imposing change on

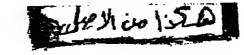
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BUSINESS EDUCATION

Della Bradshaw examines why case studies are still proving popular

Setting a good example

person income Then business school teaching methods come under scrutiny one of the most controversial is inevitably Choice of Furthering Choice of Choic the case study, which focuses on one company at a pivotal point in its development. As a teaching method it has been around since the 1920s and tha concept is intrinsically linked with Harvard, the doyen of business schools.

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But while many academics believe the nurbulent business life of the 1990s makes this method of teaching outmoded, for others - particularly in East Asia - case studies are now considered an innovative teaching method which can replace traditional lectures and pro-mote student interaction.

Large companies often rely on case stodies too, particularly those with their own training departments. As a result millions of copies of case studies are sold every year - 6m from Harvard alone - and the figure is growing.

Harvard is still by far the biggest producer. Faculty there write between 600 and 750 new cases every year. About balf are the result of field studies, the rest compiled from annual reports and public information.

The other two big North American

advocates, the Darden Graduate School of Business Administration at the University of Virginia and the Richard Ivey School of Business at the University of Western Ontario, also produce hundreds of cases a year. In Europe Insead, IMD, Cranfield, London Business School and lese dominate.



For the faculty the overriding reason for writing a case is to fill a hole in a course, especially a new course. A secondary reason is opportunism - academics track particular companies and an opportunity may arise to look at the organisation in detail.

Needless to say, many companies are only prepared to allow access in order to promote the company. Cases are usually "nentral to positive", concedes Dwight Crane, senior associate dean at

In spite of the vast sales figures mak-

ing money barely enters the equation, say the academics. The cost of cases in Europe – from the European Case Clearing House, on the Cranfield School

of Management campus - is £2.40 per

copy for academic institutions. The schools that base their teaching on case studies are locked into the approach for ideological reasons rather than money. "We are above all a case method school so it's the fodder with which our students get fed," says Robert Spekman, research professor at Darden who oversees all publications from the school. "It's what we do, it's the way we define research."

Even those schools that deride the case study approach often use Harvard cases in their own teaching, says Crane. (Two-thirds of all US MBA courses use Harvard case studies.

Mike Lecoders, chairman of the operations management group at the University of Western Ontario, and a proponeot of the case study method for more than 25 years, believes that two of the biggest burdles for the method are that cases are badly written - many, at

up to 25 pages, are considerably too long - and that they are badly used. Most academics like to talk about the study rather than allowing the students to "take ownership" of it as if they were making the decisions, he says. "Clearly the whole philosophy is that we write about real people in real organisations facing real issues."

Leenders believes students should be allowed time to study the case themselves before arguing through the issues in small groups, to bring a richer input to the full class discussion.

Some cases are available on video, others on CD-Rom, but the big leap will be when the cases are available on the Intercet. That will only be possible once a suitable charging method has been devised, says Ira Blake, manager for case method seminars at the Euro pean Case Clearing House. "It is impor-tant to us to feed the money back to the people who pot all the effort into producing the material in the first place."

NEWS FROM CAMPUS

Where content takes precedence over form

Management courses which deal with presentation skills are two a penny, but those which deal with analysing the content of proposals are less common. Sequare is a course which involves identifying the critical issue, developing a busicess plan, checking its authenticity and then realising the proposal, according to its developers, Magnolia House in London

The 25-bour course has already been adopted as part of the full-time Master of Rusiness Administration degree at Cranfield School of gement. Pieces are available on open courses or Sequare can also be taught for individual companies with an optional extra day to help the company deal with its specific problems.

Magnolia House: UK, (0)171 639 1032.

Vietnamese managers to acquire US skills

In plans to train Vietnames managers in American business skills the Amos **Tuck School of Business** Administration at Darimouth College, New Hampshire, has begun B co-operative

executive programme with the Vietnam National University's new Hanoi their own MBA

Thirty senior-level Vietnamese managers have just begun the course in Hanoi, which lasts 12 and a half weeks and provides intensive study in accounting, business planning, marketing and other management skills. Included in the course is a trip to the US where

participants will tour organisations such as Boeing and the New York Stock Exchange. Final courses are taught on the Tuck campus. Tuck: US, 603 646 3661.

Funding for four-year degree course

The European Business School, based at Regent's College in London, is offering a £30,000 bursary to cover the costs of a four-year BA degree course in international business and management at the school. Applications for the John Payne scholarship most write an essay or report on one aspect of the European Union. The degree from the college is validated by the Open University, European BS: UK, (0)171 487

Small businesses get

The first Master of Busin Administration degree in the UK designed specifically for small businesses will begin in Boltoo in September.
The course, developed by
Bolton business school in partnership with the Bolton Bury Tec (training and interprise council), will involve part-time weekend study combined with a 'learning contract" which

will be agreed between the applicant, the applicant's employer and the business school. The student will then develop competencies required under the contract and be assessed accordingly. Bolton BS: UK, (0)1204 528851.

Financial help to study in the Big Apple

European students who want to study in New York - but cannot afford the fees - could soon be supported by the Columbia Business School Buropean Scholarship Fund. The establishment of the

weekend at Columbia's third pan-European alumni reunion, which is to be beld in London.

fund will be announced this

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TGV to Amsterdam Europe's high-speed railways launch a challenge to the airlines next week with the introduction of a TGV service linking Paris, Brussels and Amsterdam. Operating under the brand name Thalys, it will cut journey times by up to 30

minutes.
The opening of a 15km section of TGV track in Belgium means that from June 2 trains can bypass Lille, where until now they have been forced to slow down. The new, faster line goes via Mons, reducing the Paris-Brussels journey to 2 hours 3 minutes. When the full length of TGV.

will be cut to 1 hour 26

Some Brussels services will carry on to Liege or Antwerp. The journey time from the French capital to Amsterdam will be reduced immediately from 5 hours 20 minutes to 4 hours 50 minutes – and eventually 3 hours 56 minutes.

City air link Alitalia plans to start flying from London City airport to Milan by September. The service has been held up by the demise of Dutch sircraft manufacturer Fokker, which delayed delivery of a jet modified to land on the Docklands runway, The airline, which already

flies to Milan from Heathrow and Gatwick. aims to offer two departures a day from Monday to Friday. It says: "We were supposed to start in June. We had already received six of the 15 Fokker 70s we ordered but we are no longer sure of the delivery schedule. Unfortunately the seventh was the one earmarked for the Milan service."

Cholera warning The Malaysian authorities are taking emergency measures to counter an outbreak of cholers, centred on the island

of Penang. Travellers are advised not to drink from taps to stick to bottled water and avoid ice.

Meanwhile, better health news from Russia, where the World Health Organisation reports a large fall in the : incidence of diphtheria after widespread immunisation campaign. Reported cases fell greatly in the second half of

last year.
The picture elsewhere in the former USSR is less clear. In Azerbaijan, Kazakhatan and Tajikistan, for example, the number of cases roughly matched, or exceeded, those recorded in the same months of 1995. Doctors still

former Soviet states

Destination India Japan's All Nippon Airways is seeking permission to fly to India, operating two-class ng 767s from Tokyo to Delhi via Bangkok, and Osaka to Mumbai (Bombay). The start of the Mumbai service is pencilled in for September 5. Delhi flights are scheduled to begin on October 4.

Atlanta's fine fare Air travellers have long felt an affinity with sheep. At Atlanta'a Hartsfield airport they may now safely graze. A 225,000-sq-ft atrium, recently opened between the north and

"food court" of the kind that has become commonplace in American shopping malls. This allows passeogers travelling together to pick up food from a variety of outlets and regroup at the same

The choice ranges from fast-food staples such as pizza and hamburgers to southern fried chicken and Creole gumbo. Airport operators starved of space will look on in envy. There will be a total of 130 new shops at Hartsfield to take advantage of a flood of visitors to this summer's Olympic Games. To quote the management: "The days of boring airport food are over."

Likely weather in the leading business centres Hang Kong 65 25 25 25 26 28 3 - Brance In BE!RUT DAMASCUS Amman

Amon Cohen on the growing demand for long-stay hotel accommodation

MR. SANDERS AND I

LONG-STAY SUITE

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Think of the most wonderful business botel you have ever stayed in. It had a triple bed, almost certainly. Service, food and facilities were immaculate, naturally. You could even watch hilarious Norwegian game shows on cable television. However, fun as all this might have been for a night or two, would you

really want to stay there a month? For most business travellers, the answer is No, which is why hotel companies are starting to realise they need some fresh ideas for the long-stay market. The obvious answer is to make the guests' surroundings more homely - an ambi-tion largely achieved by offaring separate lounge and bedroom and, crucially, kitchen facilities.

Solutions to hoteliers' long-stay challenge have evolved differently on either side of the Atlantic. In the US, leading extended-stay hrands such as Embassy Suites and the Marriott-owned Residence Inn have developed purpose-huilt lodgings aimed at those spending five or more nights away from home.

They are often found in suburban or out-of-town locations. Although such brands have been around for up to 20 years (Residence Inn has more than 180 hotels in 42 US states), the market is poised for

rapid expansion. US market research firm Smith Travel Research estimates that US demand for long-stay accommodation has outstripped supply by a rate of two to one over the past five years. Partly as a result, both Mar-riott and Choice Hotels International will launch mid-market extended stay brands this year.

in Europe, however, long-stay hotel accommodation remains prin-

cipally an npmarket option. In London, city-centre service apartments such as The Athenaeum now find

that 50 per cent of their guests are corporate customers, compared to

35 per cent five years ago.
It is perhaps with this trend in mind that traditional hotels are starting to build apartments within their existing properties. Thistle Hotels opened an apartment at the Royal Horseguards Hotel in London last year, and is now boning to find space for another on its premises.

Another Thistle Hotel, the Tower at London's Tower Bridge, has demolished an entire floor of 29 rooms and is replacing them with 12 apartments, due to open next month. It is also planning to convert part of an adjacent hostel block for staff into at least nine more

apartments hy the end of the year. Thistle chief executiva Rohert Peel believes the main selling point for long-stay apartments is the kitchen. "Not baving one takes your freedom away. The chances are that guests will not use it but it important psychologically ause anything that makes people feel at home makes them happier.

The apartment suite at the Royal Horseguards Is an impressive conversion of derelict store rooms at the top of the botel. The lounge has a fax machine and CD player, while the kitchenette includes a cooker, conventional and microwave ovens. coffee percolator and toaster. At £1.700 for a week's rental, it

works out cheaper per diem than an ordinary suite without kitchen facil-



ities, which costs £395 a night. Guests receive normal hotel services, such as housekeeping, room service and laundry. They also receive a starter pack of basic foods, and the housekeeper will send out for specially requested items.

Royal Horseguards general man-ager Julia Fitzgerald says the apart-ment is proving particularly popular with women executives. "Perhaps they use the kitchen more than men because they don't want to eat alone in the restaurant."

Other travellers for whom apart-

ments would be especially useful are couples with babies, those with special dietary needs, and those wanting to hold confidential meetings. However, many users are simply executives who are relocating or temporary postings.

HOTEL

At the Tower, plans are even more grandiose. The apartment floor will feature its own gymnasium and two suites will have extra hedrooms and antomatic dishwashers. Michael Howell, deputy general manager, says: "There is a Saleway over the road and we will

even take your trolley back."

London is regarded as having the most comprehensive long-stay hotel facilities in Europe, but the idea is

becoming popular on the other side of the continent. Occupancy levels in the 10 apartments at the SAS Radisson Hotel in the Latvian capital, Riga, are close to 100 per cent, claims Mike Pilkington, the botel's director of sales and marketing.

"We are looking at increasing the number of apartments because of the heavy demand. There is a lack of accommodation up to western standards in Riga, and we can offer guests safety, security and conve-nience. Companies are leasing our apartments for anything from one month to two years."

In the US, hotel chain Doubletree Hotels is to launch an extended-stay brand called Candlewood, a downmarket product that will cost about \$50 a night. It predicts there will be a low-budget, extended-stay prop-erty in every US town of 100,000 people or more within 10 years.

Choice's new brand, MainStay Suites, will he aimed slightly higher with average daily rates of \$55 to \$65, which is \$20 to \$30 cheaper than most existing US extended-stay properties, It believes its main clients will be middle management and technical professionals requiring lodging for five nights or more. The first MainStay is to open in Piano, Texas, in September, with

Marriott's TownePlace Suites will have rates ranging from \$45 to \$60, with the first of an initial batch of five properties set to open in New-port News. Virginia. Significantly, neither Marriott nor Choice plans to export their extended-stay brands across the Atlantic, so it looks as if city-centre apartments, often attached to traditional hotels, will remain the preferred option in Europe for the time being.

Eurocommuter enjoys the age of the train

rabbit warren: a nightnare of streets that seem deliherately designed to confuse and deter motorists. So it is appropriate that the city should have become not just a bub but a home base for a new breed of European train travellers.

Susan Carey is a perfect example. One week this spring she took tea and did a little shopping in London, two hours from Lille by rail; visited the opera in Brussels, 75 minutes up the track; and popped into Paris in less than an hour for a service at St George's Anglican Church.

She is enjoying a trend with such potential that advertisements have been appearing in Lille, orging locals to learn English, the better to

cope with their new customers. As head of part of the Channel tunnel's Eurostar operation in the Netherlands and France, she organises complex train leases and helps ncrease business from the continent to London. She works at home and in Paris, Even if it is necessary to go to Amsterdam, the train journey from Lille - just over four hours - takes no longer than a flight via Charles de Gaulle and Schipbol airports.

Lille confounds its industrial image. The narrow streets of the old centre are packed with elegant shops. Restaurants, Incloding A l'Huitrière in the Roe Chats Bossus

fixe starts at FFr260 (£33), are in the Paris price league.

But it was the opening of the FF15.5bn Euralille complex and rail hub, an interchange for Eurostar services and TGVs, that inflated its value as a base for Europerson. Despite that, property remains a

hetter deal than in Paris. Carey relinquished a FFr4,500-a-montb rented flat in Paris's 1st arondissement and bought a FFr800,000 house in Lille where she lives with partner Paul Conyers-Silverthorn, who is writing a book about the city.

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"Lille is fahulous," she says. "I love it and now that jobs are becoming so mobile it is important to have somewhere central to live even if my work changes. People are a lot friendlier than in Paris and I love Lille's shops. Everything is within walking distance, too."

Are there any frustrations? "It is a small town compared with Paris and London. You don't get such a variety of cultural events but what

there is, you tend to go to."

There has to be at least one drawback. Lille, says Carey, has what is claimed to be the biggest cinema in Europe hut it hardly ever shows films that are not dubbed. In Paris, on the other hand, you can usually find the version originale.

Roger Bray



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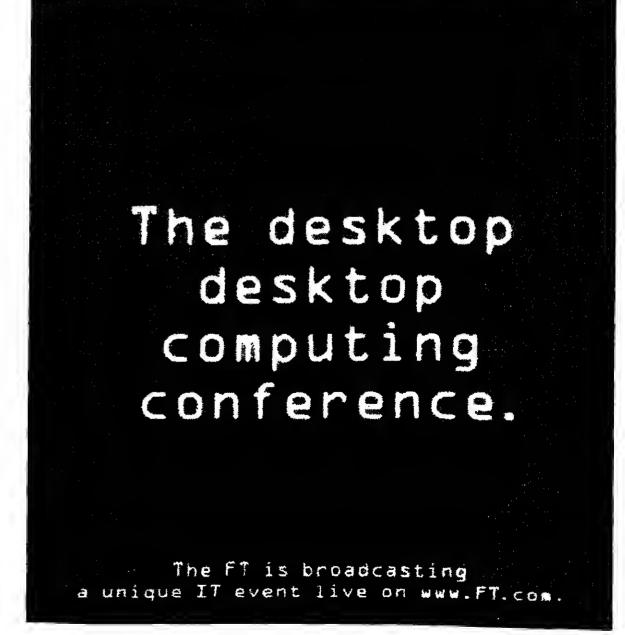


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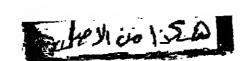
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On Friday, June 7 a special meeting will take place in central London to debate the

future of desktop computing. IT world leaders, including Larry Ellison, Peter Benfield and Dr Irving Wladawsky will speak at the conference which will be broadcast live over the Internet using RealAudio technology. The RealAudic service is provided with the support of IBM.



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SIDESS Centr

Master of bits at home in the hub

TCI's John Malone has digits in many technological pies, writes Raymond Snoddy

ohn Malone, the billionaire president and chief executive of Tele-Communications Inc (TCI), is not as well known as Bill Gates of Microsoft, Ted Turner of Turner Broadcasting, or News Corporation's Rupert Murdoch. But they all know Malone. Last Wednesday, Malone spent the day in Seattle with Gates reviewing projects such as interactive television news on the Internet.

The following day, News Corp executives were in TCI's headquarters in Denver trying to finalise a new deal. Earlier this month, Malone and Murdoch signed a comprehensiva agreement under which News Corp and two TCI companies, Liberty Media and Tele-Communications International, will form a worldwide alliance to own and operate sports chan-nels on a global basis.

TCI is also an important shareholder in Turner Broadlargest shareholder in the expanded Time Warner-Turner group if the merger goes ahead in its present form. (Malone goes quail shooting with Turner and his wife, Jane

Fonda). Malone says he values each of his very different friendships with the three men who are almost defining the future shape of the global media and information society, and that he sees himself as the hub around which they all revolve. They visit the hub in Denver where Malona sits behind a large semi-circular polished. stone desk on the 11th floor in front of a 5ft replica of a 19th century America's Cup yacht ~

for one simple reason Through a string of TCI companies that TCI executives estimate could be worth anything from \$30bn (£20bn) to \$35bn if they were ever sold, Malone and his partner, Bob Magness, controls not only programme tent in the US but increasingly around the world, and owns channels to deliver that

content to audiences. TCI owns the largest cable network in the US with 13m subscribers and is also the largest operator of the medium-power satellite system Primestar, which delivers multi-channel television to rural areas that will never get cable. TCI has a financial interest in no less than 91 programme services in the US while its international arm. which is separately traded on Nasdaq, accounts for a further 30 channels. Malone says: Everything comes our wsy". In the new-media age, the

tionships at the highest level transcends power, convenience or self-interest. It has become a necessity. "No organisation has the skill level or the balance sheet, except maybe Bill Gates, to do it all," said Malone in a rare interview. He meant that world-class media players, with egos to match, who compete and co-operate simultaneously in different markets. have to find ways of maintaining at least minimum levels of

civility. Malone sees it as a bit like the theory of nuclear deter-rence. Any of the big media players could cause massive damage to each other. It is just not in their interests to do so. Malone says: "Nobody can really afford to get mad with their competitors because they

are partners in one area and competitors in another. It has to ba that way because the integration of these businesses cuts across so many technoloareas that it requires multiple partners to be successful." Malona is 56. He has been in charge at TCI since 1973, when it was a small cable company.

The convergence of comput-ing, telephony and the production and supply of media content is driven by the move to digital. To an engineer - John Malone, PhD, is an engineer -it doesn't matter whether what is being distributed is a movie. a baseball or soccer game, a news or weather update, or a piece of music. It's all tha same: it's all bits.

TCl has embraced all the new digital technologies, though it does not claim to produce inventions. "We are deployers and synthesisers of technology," says Malone, adding that TCI is running fast in many different directions, following - to a great extent -in technology's wake. "This is like a chain. It takes you into new businesses," says Malone. He is much less sure about the ultimate destination or speed of change. Instead, he believes in concentrating on naw products and services he thinks the

public will buy. One new service that Malone is convinced will be successful offers fast access to the Internet. TCI will launch @ Home, a service using a cable modern that will provide access to the Net 700 times faster than current services, in the US later this year and in the UK early next year through TCI's cable partner in Britain, TeleWest.

We think there is a huge appetite for high-speed Internet inter-connection," he says. He is optimistic about the launch of digital-cable, which has its most significant commercial launch in the US in Hartford, Connecticut, in October.

Apart from high-speed Internet access when it becomes available, digital-cable viewers will receive between 120 and 150 channels, including around 60 channels devoted to nearvideo-on-demand, showing hit movies on a large number of channels with staggered starts so that viewers are ever only 20 minutes from the start of a movie they want to see.

Malone says he is extremely conservative when pondering which particular new-media strategies or technologies will be most successful. When I go horse racing, if three horses look as if they have a chance of winning, I want money on all three," he says. The industry is growing so fast that Malone often has a stake in two or three entrants in the belief that all will do well

It is important, says Malone, concerns to own channels of distribution as well as programme content, though he is still not sure how far he should involve TCI in content. "Should I be trying to buy Gannett (a US newspaper group). USA Today or make a deal domestically with Dow Jones? I don't know,"

CI's strategy is straightforward: own or control a conduit to the consumer and stuff as much down it as you can. The TCI president does not believe the television set and the computer will merge completely, to be replaced by a single box or screen on the wall, although the two - he thinks - will become increasingly alike. He believes there will still be a separate screen primarily for entertainment and another that will be used for work.

Of the battle between cable and satellite. Malone says the outcome depends on the economics and politics in different countries. In the US he believes digital-cable will ba very powerful, partly because of Internet access, and that cable could also turn out to be dominant in Asia for political reasons. "They don't want regional satellites with Rupert Murdoch deciding what they should watch." he says.

For all its power and wealth, perhaps the most remarkable thing about TCI is that it never makes profits - or, when it does, that that is regarded as an aberration requiring inves-tigation. Malone says it is the aspect of the company that is most misunderstood. "The last thing you want to do is pay

taxes. You don't mind paying ated companies. Although the two only own 8 per cent of the stock, they hold 45 per cent of taxes at some theoretical time in the future but paying taxes now is kind of silly because the voting rights. It means that you can invest the money bet-John Malone is free to take a ter than the government. long-term view and to follow his hunches.
One of the things he is most That's our mentality," he says.

companies which are then spun-off from the parent, such as Liberty or TCI International. TCI not only defers paying taxes as long as possible -it does not pay dividends in the form of distributable cash because that, too, is taxable, "If our shareholders can get a dividend in the form of stock in a new company every year or so, that's the dividend and nobody pays any taxes on that, It's a capital gain mentality and capital gains in this country [US] are taxed at a lower rate than

So any surplus money is invested in developing separate

ordinary income," he says. For 25 years, TCI says it has averaged 25 per cent growth, although the rate slowed some-what after the 1992 Cable Bill. which re-regulated the cable industry in the US. The firstquarter results for the three months to the end of March 1996 give the flavour of TCL Revenues rose by more than \$400m to \$1.95hm, but net losses nearly doubled to \$86m. Total assets were stated to be \$26.5bn, and debt totalled \$13hn. Malone believes the company has built up value that has not yet been appreci-

ated by the market. Primestar, TCI's satellite operation, could be worth. according to Malona, "a few billion dollars", and that value will be released to shareholders "so they can have another company in the satellite business". A 30 per cent stake in Sprint Spectrum, a telephone services company, could be worth another \$3bn, Malone believes.

The complexity of TCI is partly the result of spinning off new companies, but is also a response to the problems of dealing with regulators who often have contradictory views of what is permitted. For example. TCI cannot own broadcas stations in the US in areas where it has cable networks. Yet TCI benefits greatly from an option to buy Silver King, a large chain of UHF broadcast ing stations run by Barry Diller - an option that cannot be exercised under existing rules. It is an exampla of how John Malone has a finger in

almost every media pie. With his chairman, Bob Magness, who mortgaged his ranch to buy a small cable company in Texas to the 1950s, Malone affectively controls TCI and the growing number of associ-

A Net loss in quality of service

ago, this col-

new Internet stockbroking business by the name of E*Trade. The based in California, offers a

standard service to retail investors: buying and selling the shares of public compa-nies in small lots for commissions that make even deepdiscount houses seem overpriced. At a flat fee of \$15 (£9.80) to trada on the New York stock exchange, and \$20 to trade on Nasdaq, it sounded too good to be true.

Tim Jackson

It was, I decided to open an account - and experienced the grim reality of dealing with an Internet startup. After obtaining the application forms, sending them off and waiting a month, I contacted the company by e-mail, only to be told that the forms had never been received.

The next day, the forms came back, with a message saving that as a non-US resident I needed to fill out a further form. That I did. Chasing the matter another month later. I received the package again, with instructions to start from scratch as one detail had been omitted. It was nearly three months before the account was open.
The experience reminded

me of a conversation with an eminent computer scientist who bemoaned the effect technology is having on service industries. He complained that the Net, as with computers before it, is removing from organisations the people who apply the oil when the wheels squeak. The result may be lower costs, he grumbled, but service gets worse by the

Look at voice-mail, he said. Today it is impossible to reach anyone on the phone. because calls are connected directly to automated answering systems. Twenty years ago calls may have been con-nected by middle-aged ladies plugging wires into rudimen-tary electrical boards, but at least they were connected to

real people.

The scientist had a good point, and one that has great public resonance. But I think it is wrong, and worth saying why. Soon after the E Trade debacle, I decided to open an account with a discount telephone brokerage in London called City Deal. Opening an account there was marginally easier than with E*Trade, but

problems soon began.

The staff seemed to be over-worked and undertrained, and the company's system appeared to have been designed with a leck of imagination that would make the manager of a Soviet steel mill gasp. Yet there was no Net technology at work here. It was just the old problem of a not very well run company with curt staff.

One conclusioo from the comparison might be as follows. For any given service business, there is an infinite number of combinations of price and quality of service, and for a given technology. the two are inversely related. If there are more people in the customer service department and those people are better paid, then the chances are higher that they will deal with customers' problems quickly and competently. Fewer people means worse service.

The Net makes it possible to reduce service-industry costs radically, not least because it allows the customer to do the order-taking. That is particularly significant in businesses such as retail banking and broking, where front-end data entry represents most of the labour costs. Yet there is nothing inherent in the transformation that dictates any particular combination of price and quality.

Assuming that use of the Net takes out half the cost base, the company can choose between different options. It can deliver the same service

vice for two-thirds of the price, or a worse service for one third of the price.

Two factors give the Net a further edge. One is that taking humans out of the ordertaking reduces the error rate The other is that with many transactions, such as selling shares or paying a gas bill, the customer can carry out the transaction five times faster using the Net. That is because handing over tha information itself - a date. price, quantity and name, for instance - takes only a few seconds. Over the Net, the customer's identity can be confirmed automatically. By telephone, the 10-second transaction is often preceded by three minutes of muzak and two minutes of identity-checking using code words, dates of birth, and post codes

Why were there problems with E*Trade? The answer, to be fair, is probably that the company's low prices have provoked a flood of application forms from price-sensitive retail investors, throwing tha office into chaos. Six months from now, the company's system will probably be stable, and its service will probably pull comfortably ahead of the lower-tech telephone equivalent.

But that should not be read as a recommendation of the company. Since the publication of the earlier column, another firm has emerged, charging only \$12 a trade implying, on a transaction of \$8,000, a 60 per cent saving on the lowest-cost broking service in Britain. This company www.ebroker.com - appears to be suffering even worse teething problems than E*Trade, I made five unsuccessful attempts last week to reach its Web site. But this firm, too, will eventually get its act together. When it does, the abiquitous, instantaneous access to information provided by the Net will keep pressure on prices down-

Tim.Jackson@pobox.com

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The company is working on

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and college students. An

important target is to train

teachers in the latest informa-

tion technology. Malone hopes the courses will become so pop-

ular that students will want to

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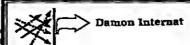
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ChinaInternet (www.chinainternet.com) is under construction to provide material covering husiness and media in China, Taiwan and Hong Kong. Nice graph. ics, particularly the maps, although the download can be

excruciatingly slow.

Techwsb's investor news (http://techweb.cmp.com/investor) is well worth a look for a briefing on the technology industry and a snapshot of its markets. · Productivity South's

straightforward site for the

Sonthampton Trada and Industry Exhibition (www.com/sti96) has advanca information about the show on June 19-20. Exhibitors get a free ad on the Wah site.

On the subject of conventions, Variety magazine's ShowBiz. Expo, for anyone concerned with the future of the entertainment industry, is in Los Angeles on June 28-30, with an emphasis on digital technology. Details at http:// showbizexpo.com - a nice promo site in itself.

• The Lead Industries Association has put up a good, user-friendly site (www.leadin-fo.com) with information on the lead industry and its applications in architecture and the construction industry. Don't all rush . . .

• Finance Area (www.tsi.it/ finanza/index.html) is an Italian site collating financial information and contacts. Good use of frames, but it can take a while to load properly if not on a fast connection. Another enhanced site is

the online version of Scientific Americon magazine (www.sciam.com). As well as the sort of informative content you'd expect - the summaries are particularly useful - it has one particularly nice feature: when you click on the home page advert (in this case for Saab) it opens a new browser window so you don't have to leave the Sciam site.

Worth bookmarking. • The US Environmental Protection Agency's Mixed Waste Team Home Page (unow.epa.gov/radiation/mixed-

mastel has, honestly, more stuff than any sane person could ever need on identifying and treating nuclear materials, with lots of pictures of guys in biohazard suits. Call it up when digging a big hole in the back garden has lost its

Finally, a new site to stop my six year-old going straight to Disney.com. This week's big hit in the kids' room is www.pando.org, the Worldwide Fund for Nature's site.

www.ft.com

steve.mcoookintaft.com

www.usa.it.com

Keith Wheatley on the undervalued work of people at the sport's grass-roots

While the reactionaries at the top of English rugby union appear to have been defeated by the higgest clubs, who are determined to move boldly into the new era of professionalism, there is still plenty of unhappiness at the grassroots of the sport. In the long run, the sport's grandees will have to listen to the small clubs, as well as the hig ones.

Had It happened, a unilateral breakaway by the 20 soon-to-he professional clubs such as Bath, Leicester and Harlequins might have represented not much more than loss of face for the Rugby Football Union. After all, a unilateral declaration of independence by England's leading soccer clubs did oot destroy English football. Pos-

sibly the reverse.

But rugby's deepest problems lie at the other end of the game. The sport's strength has always been a family-like, almost tribal bondiog within clubs. A minority sport played exclusively for the love of the game has created nearly 2,000 small clubs with great assets of loyalty and affection but relatively shallow pockets. So the trend towards formalising and centralising everything from fixtures to results has created a wave of discontent in the lower half of the food chain.

This discontent led directly to the election of Cliff Brittle as executive chairman of the Rugby Football Union, against the union's "official" candidate, with a man-

date to resist all change. Slough, a medium-sized town close to London's Heathrow airport, is a classic example of the junior club. It puts out five teams on an average Saturday, has a thriving junior section, and occasionally produces a player such as Paul Rendall good enough to become an England regular. Yet

Slough are unhappy. "We've just had our fixture list for next season sent to us," says club chairman Peter Crockford, "The divisions have all been re-arranged and we now play Stowon-the-Wold and various other Cotswold towns. I think our nearest game is Blcester. Suddenly, our coach bill alone is going to be around £3,000 - more than doubled since last year. Twice a season we get our share of the Courage sponsorship money. The last cheque I saw was for £90. We had one before Christmas for £135."

The vast majority of English rugby clubs - about 1,700 - now play in the multiple divisions of the Courage league. Slough is in Southern Counties (North). Courage put more than £2m into rugby, hut the bulk of it goes to the major clubs.

In his definitive recent history of British rugby, Endless Winter, writer Stephen Jones points out that the introduction of a league system, with promotion, relegation and external administration, was the turn-



England regular Paul Rendall, centre, rose through the ranks at Slongh

ing point in the evolution of the upper reaches of rugby union towards profes-

People like Crockford, with a lifetime as a player or official, are now seriously doubting whether the league system was much of a step forward for those who enjoy recreational rugby. "We still main-

clubs, but we don't get to play them because there isn't any gap in the fixture card," says Crockford. "Our fixtures arrive in the post on a computer print-out. No one in the club has any say in who we play and when. If you doo't phooe your result in hy 6pm on matchday you're instantly fined £20. The invoice will arrive

on Monday. Same amount if you forget to

get the referee to sign the match report." These conscripts in a rugby army are on the point of rebellion. They say that the Courage league arrived as a foit occomplifrom Twickenham (the sport's HQ) and Crockford emphasises that the same insular process is under way once more. "The junior clubs are not represented at the current talks, and we should be," he says.

The complicated negotiations, threats and desdlines that have enveloped the sport revolve essentially around money. Which television deal should rugby opt for, satellite or terrestrial, and how should the TV income he shared? Each of the 20 clubs that make up EPRUC (English Professional Rugby Union Clubs) is facing sal-ary costs of up to £750,000 a year from next season, and none yet has enough revenue to pay salaries like that. They are anxious virtually desperate – to know where the money is to come from.

Slough have no professional players, nor are they likely to have any with a net annual income of £34,000. One visitor from Gloucester asked what the pay was like in the first team, but they never saw or heard from him again.

"Because we're not paying wages, the people at Twickenham think the junior clubs have no interest in these negotiations," says Crockford, "But I'll give you an example of bow it will affect us. If Twickenham do a deal with Sky then we're going to need a satellite connection at the club to watch internationals. That will cost us about £400 a year. Will we get any extra income from Twickenham out of the TV deal? Not if the Courage sponsorship is anything to go by. Any more 'support' like that and clubs like us will he in the poorbouse. I'm not actually saying we should get a lot more money. What we do need is some degree of consideration and involvement. I want to know if our game has a structure that is going to satisfy the players and supporters next year."

With its 350 members, comfortable clubhouse on the edge of a prosperous town with low unemployment, and innovative commercial activities. Slough are not a club that will roll over and go televisionless for want of funds that could be raised at a single barbecue-dance. What is at stake here is loyalty and commitment, the values that have underwritten rughy union's growth in the past decade.

Many of those with anxieties do not care to speak out for fear of being labelled blazered dinosaurs" who cannot stomach the radical changes afoot. "I'm not against professionalism and neither are most of the rugby people I know," says Crockford. "We have the same worries as the EPRUC clubs - just scaled down a bit. What makes us angry is that the work of thousands of people at the grass-roots of a great sport is being devalued by those who

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Deconstructionism - an empty bid to fill a cultural void

Libeskind's design for the V&A revives an outmoded theory, writes Colin Amery

Why is London suddenly tak-ing seriously a set of old ideas that elsewhere were passe years ago? The reason is the proposal for a new part of the Victoria and Albert Museum by a Polish-American architect, Daniel libeskind, who proclaims the gospel of "decon" wherever he goes.
When the trustees of the V&A and

their director wanted a wheeze to try to ont the ailing museum back on the cultural map, they reached for Libeskind. The trustees and their architectural dvisers had enjoyed themselves running a private architectural competitinn for an extension to the museum. That sort of competition has recently become lot more fun for big institutions because they can now apply for large clumps of national lottery money.

As so much lottery cash goes on captal projects rather than on running costs, there is a mood of irresponsibility in the air, which encourages the amateur nominees who advise those who illocate lottery money to make the most of the chance to push forward their favourites, and what they consider to be the latest ideas.

Libeskind belongs to a group of archiects who came to prominence in 1988 when the Museum of Modern Art in New York moonted an exhibition called Deconstructivist Architecture, curated by the king-maker of New York architecture, Philip Johnson. The show was very much about 1980s ideas - of the hreak-up of culture and about architecture obsessed with fragmentation and instability. It was also a reflection of the horedom with postmodernism that architects like Philip Johnson were feeling, and a sense that there was no longer any point in historical revivalism hecause most of the craft skills that could have created a convincing revival had died. Above all, it was about inventing a new architectural style.

The eight architects in the New York exhibition were mostly pretty well known: Bernard Tschumi, Peter Eisenman, Frank Gehry, Rem Koolhaus, Zaha Hadid. Danny Libeskind, Wolfgang Prix and Helmut Swiczinsky. They shared several distinctive characteristics. Their work, largely unbuilt, was full of deviations from any known geometrical norm; they despised the right angle and preferred to deviate from all parallels; the planes they employed always looked

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warped and twisted; and there were always a int of nverlapping trapezoids.

Their designs showed no interest in communicating clear ideas. Indeed, Libeskind's unly real fame is for comin the phrase about the importance in architecture of the "void of the void". Although some peopla find the ideas, such as they are, behind deconstructive ism shocking, there is little that is new in it. Architectural ideas usually follow painting, and the Russian Constructiv-ists had thought of most of these ideas much earlier this century. The development of the visual arts in the 20th century has been full of virulent and mocking anti-art ideas that want to wound dition and explode myth.

Libeskind has not built very much. His largest project has been under construction for a long time: the Jewish wing of the Berlin Museum, which is partly an archive and partly a memorial to the Jews from Berlin killed hy the Nazis. Libeskind won the competition is huild this in 1988, and construction has taken much longer than anticipated. It may upen next year. In plan it is like part of a twisted swastika. It is a highly tormented huilding which has been described as "a petrified description of a shattered mind".

Deconstructionism is also a literary philosophy that wants to end formal structures in writing and evolve a poststructural way of thinking. In architecture, it is equally destructive and withont direction - especially as it has hecome a stylistic device to attract attention to its disorder and difference rather than an analytical response to a

In London, there is desperate pressure to follow this fashion in the corridors of Arts Council power. It is also fashionable to imply that those who have seen through these old fashioned and wayward ideas are themselves wildly out of date - probably fogeys. But it is too easy tn polarise the current architectural debate in this way, and rather sad that commentators are so keen to make it a dialogue between the past and future.

It is a debate about architectural quality and the need to move on from empty nihilistic styles and theories. I suppos it is too much to expect museum trustees to be deeply versed in architectural thinking, but at the V&A one hoped for more wisdom and knowledge and less enthusiasm for pointless trends.

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BIELEFELD Contemporary British opera is

currently having a good run in Germany. Harrison Birtwistle's "The Second Mrs Kong" has just been staged in Heidelberg, Mark-Anthony Turnage's "Greek" turns up in Leipzig next week and Thomas Adès's "Powder next season in Magdeburg. This week is the turn of Judith Weir (left), whose "Blonde Eckbert" – premiered by English National Opera in 1994 - is being produced by the enterprising municipal theatre at Bielefeld. The first night is on

ARTS DROTTNINGHOLM LONDON This is Elisabeth Söderström's director at the Drottningholm court The programme opens on Pergolesi double-bill, followed on June 7 by e nevival of lest summer's successful Englishlanguage staging of Philidor's "Tom Jones". Leter in the season there will be a new production of Gluck's
"Orphée", a programme of three
Swedish ballets from the 1790s, and
Duncan and Sara Crowe.
The Open Air season a Park opens tonight with "The a series of recitals by Anne Sofie von

The outstanding American singer Kim Criswell (right), seen here four years ago in "Annie Geta Your Gun", returns to London in a new but old-style musical, "Dames at Sea," which tomorrow for a season at the sadors Gardyne directs: the cast also includes Peter The Open Air season at Regent's Comedy of Errors". Ian Talbot

Thursday and runs till August 18.

HANOI

Rostropovich is to give two evening recitals in Vietnam this week, the first on Thurday at the vast Vietnam-Soviet Cultural Palace in Hanoi and the second on Friday at the former Opera House in Ho Chi Minh City, formerly Saigon. The Hanoi vanue seats 1,000 and the concert will be relayed on to a huge video screen outside the palace. The programmes include works by ethoven and Shostakovitch.

PHILADELPHIA After its hugely successful runs in Paris and London, the Cázanne exhibition crosses the Atlantic for a showing at the Philadelphia

Museum of Art. It opens on

MILAN La Scala's new production of Wagner's "Ring", conducted by Ficcardo Muti (below) and staged by Endre Engel, began last season with "Die Walkure". Now they turn to the first part of the tetralogy, "Das ingold". Monte Pederson and Felk Struckmann will alternate as Wotan, and the cast also includes Kim Begley. The first night is on



Melody maker

Andrew Clark talks to the acceptable voice of modern music, composer Nicholas Maw

n a leafy suburb of Washington DC. the English composer Nicholas Maw is pouring him-self a lunchtime glass of wine and recalling how an American colleague recently summarised his music. What Maw was trying to do, the colleague said, was find another way forward from the late-19th century - a different path to what we bracket today as 20th-century music.

"I think it's a good description," says Maw, who has lived in the US since 1984. "I've discounted much of what has happened in the past 90 years. I'm not being reactionary - it's more a question of 'reculer pour mieux sauter'. I can point to things in my music, such as ways of using harmony and particular kinds of melodic formulations, that are just as novel as the so-called avant-garde. If you look at my work as a whole, what I've been doing is as genuine and forwardlooking as anything."

Avuncular, articulate and a robust

advocate of musical tradition, Maw hardly fits the stereotype of the contemporary composer. Too tuneful to be avant-garde, too serious to be populist, his works fit comfortably into mainstream concert programmes. He has mastered a wide variety of musi-cal forms, from comic operas and string quartets to the 96-minute Odys-- the longest continuous orchestral work ever written. He also has that rare distinction of being able to generate enthusiasm among occa-sional concert-goers and high-profileconductors. In short, Maw is the acceptable voice of modern music

Six months after his 60th hirthday, Maw is on the crest of a wave. In the US his music is being played from New York to San Francisco. Over the next two weeks André Previn and the London Symphony Orchestra take his Spring Music on tour to Germany and Austria. He has just completed Hymmus for the centenary of the Oxford Bach Choir, to be premiered at the Sheldonian Theatre on Saturday, and in August his Violin Concerto will be heard at the Proms.

Having championed the art of flowing melodic lines, rich harmonies and ssical forms when it was unfashionable to do so. Maw has had tha satisfaction of seeing the musical world come round to his point of view. Back in the 1950s and 1960s, when serialism and pointilliste textures were all the rage, the young Maw dared to disagree. His Scenes and Arias, premiered at the 1962 Proms, announced a musical personality to which he has remained true ever since: a backward-looking appeal harnessad to undimmed composiional rigour. Unlike his beknighted contemporaries. Peter Maxwell Davies and Harrison Birtwistle, Maw has received no official award. But his music has been circulated just as

widely, and will probably last longer. Moving to the US has turned out to one of the best things Maw ever did. Free of the distractions of musical life in London, he has been able to coocentrate and is far more produc-tive as a result. But Maw's links with Europe remain strong. He receives a steady stream of commissions from the UK, and spends up to three months a year at his house in France.

He is accused by some contemporaries of following the soft option, of "copping out" in the quest to advance the boundaries of music. Maw will have none of it. He says much of what has happened in the postwar era has resulted in a narrowing of musical vocabulary, and cites Pierre Boulez as the classic example.

There are very few things you can do with a language like that. One could characterise the Boulez-era pleces as sculptural: they're not pleces you move through, they're pieces you walk around. We're talking here about timbre and acoustics, and setting up a column of sound which refracts the light - you can only talk about it in visual terms. These pieces have a lot of intellectual interest, bot they exist only in the moment, they have no relation to what is going on around them, or to musical tradition. You have to leave your memory at the box-office, and without memory the imagination cannot work.

So what does Maw's music represent? One of its chief characteristics is an unashamed concern for melody and rhythm. Maw has never made any secret of his belief in singing and dancing as the bedrock of musical experience, so it was natural that his first concerto should have been for violin - the most songful of instruments. Premiered by Joshua Bell in New York and London in 1993, it is a beautiful and boldly cootrasted piece, a worthy successor to the Brahms and Waltoo concertos. Maw describes it as central to his output "because it's concerned with the whole question of melody - melodic lines which are immediately apprehendable as such, which lodge in the mind of the lis-

Maw also has an uncanny ability to evoke other idioms without overwhelming his own style. Scenes and Arias and The World in the Evening, for example, elide French and German late Romanticism with a Britten-like expressive clarity. His aim, he says, is to reflect "things that peopla know and things they don't know, which is precisely what happened in all art of the past. I want to be able to do in my own way things that were always done before in music, by the whole of western musical tradition. It's only in the 20th century that we've had the arrogance to assume we can turn all this oo its head."

But the most consistent trait in Maw's music is its sense of internal narrative, paragraphed in such a way that the listener can plol its progress. Odyssey, which took more than 15 years to write and has been recorded by Simon Rattle, is the outstanding example. It has a sense of scale and proportion, of the long hreath, of development and resolution - all qualities one expects of a symphony.

So why is it not called a symphony? "The only answer I can give," says Maw, "is that it has so many features boand up with my own psychology. the way I saw it as a journey, that I couldn't think of it in more abstract terms. At the beginning of the piece

there's a strong sense of searching ~ my own searching, the listener searching, the piece itself searching, As it goes along there's a stronger definition of where it's going. At the end I had a much clearer sense of who was. I'd wrestled with it for so long. I had a terrible time getting it organised. It was a hit like building the Forth Bridge: if you didn't get that girder right in the middle, the whole thing would collapse into the sea."

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Quoting Brahms's remark about the burden of hearing Beethoven tramping hehind, Maw says a symphony ranks as a major statement, "and I feel as if I put all my eggs in one basket with Odyssey". Like Ravel, Strauss and Bartók, be has found greater freedom in other forms, "and I actually think a lot of the symphonies of the postwar era - those of Fricker and Rawsthorne, for example not very impressive objects. Even some of my contemporaries, like Henze and Maxwell Davies, have written symphonies which I don't regard as symphonic. If you're going to write a symphony today, there must be e damn good reason for doing it - other than just fulfilling a commission. You know Stravinsky's remark? He said commissioning symphonies had become a bit like going to the supermarket to huy a bag of flour."

But after several false starts, Maw is still interested in writing opera. He demonstrated his skill for the genre with The Rising of the Moon, a bittersweet comedy premiered at Glynde-bourne in 1970. His publishers are currently negotiating the rights to a novel by a living American anthor, from which Maw wants to extract a libretto. All he will say is that it is a serious 20th-century aubject, "on a universal theme". Maw sees the project as the next big step in his musical odyssey. Lika its predecessors, it should be worth the wait.

Ballet/Clement Crisp Timeless steps

alanchine's Agon will be 40 years old next year, and it is the most modern hallet in the world. Stripped of everything save dance itself, with that dance as much part of Stravinsky's score as the orchestration, it is 20th-century ballet's monument, a structure having perfect logic and inevitability in showing the continued potential of clas-

sical movement. It is a key to the ballet of our century. Like its score, it is a culmination of an historical/artistic process. Straviosky looked back to dance forms of the 17th century for musical example. Balanchine's choreograpby looks at the developed manner of Petipa's classicism - of trios, duet, ensemble, of attitudes and formal devices and, like Stravinsky, renews and reshapes them. Agon is time travel, shuttling between the ages, eliding them, reconciling them. And, to bring matters up to date, it received a grand performance from Birmingham Royal Ballet's cast last Thursday.

After the dimness of the opening programme of BRB's Covent Garden season (and especially after the company's account of Balanchine's Theme and Variations, which opened Thursday's triple blll and looked like something from the wards at Scutari) this Agon was dazzling. Clarity - muscular as well as musical – and that integrity of manner which finds the dancer right inside the dance rather than looking hopefully at it and wondering what is to be done (which was how Sabrina Lenzi and Kevin O'Hare muffed the leading roles in Theme and Variations) meant that every moment of Agon was true.

All honour to Karen Waldie, Jessica Clarke, Monica Zamora, and Simone Clarke, to David Justin, Joseph Cipolla, Robert Parker and Chi Cao, who were the soloists, and to the quartet of women. They danced superbly. The great pas de deux had a fine erotic charge - Cipolla broods, manocuvres the beautiful Zamora with passionate intensity -and the two trios were impeccable, (I salute Chi Cao for the lift and clarity of his dancing.) No less a hero (and the only hero of Theme and Variations) was Leslie B. Dunner. who inspired a taut, Stravinskian reading of Agon, and alone maintained the physical as well as orchestral tensions of Tchaikovsky's score for Theme.

The evening also included David Bintley's Still Life at the Penguin Cafe. I am told this is a popular work. I find it insupportable. With its feeble score and relentless scampering, its arch way with ecological correctness, it is a flag day for charities to which I refuse to contribute.

Theatre/Sarah Hemming

Beast on the Moon

t is not radical, experi- he expects her to replace the there is something very appealing about Richard Kalinoski's play at BAC in Battersea. Basically, Kalinoski tells a halting love story between two people who have a harrowing past in common, hut he draws you into their lives so geotly, and the central performances are so engaging, that one really cares about

what happens. Set in Wisconsin, the play opens in 1921 as Aram Tomasian is introducing his new bride to her apartment. But Aram and Seta are no ordinary bride and groom: as Armenian refugees they have both lost an entire family to the Turkish massacres of 1915. Aram has brought Sets over to America as his "picture bride", so rescuing her from an orphanage. She arrives, clutching a rag doll to be faced with a not unkind, but stern, Bible-reading man, who quotes Timothy to impress upon her the duties

mental or challenging, but murdered family whose photo he keeps, their heads cut out to leave spaces for those of their own children.

Aram's plan is thwarted, however, by the harrenness Seta's own gruesome past has inflicted on her. The play returns every few years to see their progress, as grief drives them first apart and then together. The play has a pleasing symmetry, hut is rather stiff and mawkish in places and is not improved by a narrator figure (Nicholas Amer).

Otherwise, this quiet, lov-ingly detailed production by Irina Brook (the daughter of Peter Brook, meking her directing debut) elicits tremendously engaging performances from Simon Ahkarian as the proud, hurt and gradually thawing Aram and Corinne Jaber as the lovely, mercurial and gradually maturing Seta. A touching evening.

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Tel: 44-1223-332900 Burne-Jones and William Morris: Illustrations for the Kalmscott Chaucer and the Aeneid: exhibition of pencil drawings produced by Sir Edward Burne-Jones for William Morris' illustrated booke, to Sep 1

■ COLOGNE

CONCERT Kölner Philharmonie Tel: 49-221-2040820 Camerata Academica Selzburg: with conductor Sandor Veah perform works by Schubert and Havdn; 8pm; May 30



.. MacMillan to music by ssenet, performed by The Royal Ballet; 8pm; May 28

■ HAMBURG

Hamburgische Sta Tal: 49-40-351721 Die Entführung aus dem Serail: by Mozart. Conducted by Bernhard Klee and performed by the Hamburg Oper, Soloists include Ulrich Wildgruber and Maureen O'Flynn; 7pm; May 28, 30

■ LEIPZIG CONCERT

Gewandhaus zu Leipzio Tel: 49-341-12700 Gewandhausorchester: with conductor Ingo Metzmacher, pianist Donohoe and soprano R. Zie perform works by Henze and Mahler, 8pm; May 30, 31

■ LONDON

CONCERT Purcell Room Tel: 44-171-9604242 Homage to Laurindo Almeida:

concert by guitarists Carlos Barbosa-Lima and Charlie Byrd devoted to the Brazilian performer, composer and arranger Laurindo Almeida; 7.30pm; May 28 EXHIBITION Design Museum

Tel: 44-171-3786055 Conran Foundation Collection: this exhibition presents items from current design selected by Alice Rawsthorn, e journalist for the Financial Times and a Trustee of the Design Museum. Including furniture, packaging and clothes; to Jun 23 THEATRE Barbican Theatre

Tel: 44-171-638889° Romeo and Juliet: by Shakespeare. Directed by Adrian Noble and performed by the Royal Shakespeare Company. The cast includes Christopher Benjamin, Susan Brown, Julian Glover and Michael Gould; 7.15pm; May 29

■ LOS ANGELES EXHIBITION

Norton Simon Museum of Art Tel: 1-818-449-6840 The New Wave: Bonnard, Toulouse-Lautrec and Vuillard and the French Color Print: exhibition of 38 color lithographs by the 19th-century avant-garde painters/ printmakers Pierre Bonnard, Henri Toulouse-Lautrec and Edouard

■ NEW YORK EXHIBITION

Vuillard; to Jul 21

The Metropolitan Museum of Art Tel: 1-212-879-5500 Genoese Drawings and Prints: exhibition showing a selection of

to 18th century, with particular emphasis upon the Innovative work of Giovanni Benedetto Castiglione; to Jul 7

approximately 110 drawings and

prints by Genoese artists of the 16th

OPERA Norske Opera Tel: 47-22-429475 Madama Butterfly: by Puccini.
 Conducted by Shao-Chia Lu and performed by the Norwegian National Opera. Soloists includa Ragnhild Heiland Sorensen, Ingebjorg Kosmo, Ivar Gilhuus and Trond Halstein Mce; 7.30pm; May

PARIS CONCERT

Salle Pleyel Tel: 33-1 45 61 53 00

Das Lied von der Erde: by Mahler. Performed by the Ensemble Orchestral de Paris with conductor Armin Jordan, mezzo-soprano Hedwig Fassbaender and tenor James Wagner; 8.30pm; May 28 EXHIBITION aleries Nationales du Grand Palais Tel: 33-1 44 13 17 17

 Les années romantiques 1815-1850: exhibition of some 180 paintings and watercolours by French artists, created between 1815 and 1850; to Jul 15

■ ROME

OPERA Testro dell' Opera di Roma Tel: 39-6-481601 La Sonnambula: by Bellini. Conducted by Patrick Fournillier and performed by the Opera di Roma.

Soloists include Kathleen Cassello. Bruce Ford and Roberto Scandiuzzi; 8.30pm; May 28

SYDNEY CONCERT

Concert Hall Tel: 81-2-250-7111 The Australian Philharmonic Orchestra: with conductor Gerhard Track, soprano Olga Savina, tenor Kenneth Collins and The Vienna Male Choir perform works by Stolz, Lehár, Kalman and Schubert: 7.30pm; May 28

■ VIENNA CONCERT

Konzerthaus Tei: 43-1-7121211 Till Fellner: the pianist performs works by J.S. Bach, Webern and Liszt; 7.30pm; May 28 Musikverein Tel: 43-1-5058681 Ernst Kovacic; the violinist performs works by J.S. Bach and Einem; 7.30pm; May 28

■ WASHINGTON EXHIBITION

National Portrait Gallery Tel: 1-202-357-1915 Rebels: Painters and Poets of the 1950s: two-part exhibition that examines the revolutions in painting and poetry that took place on the East and West Coasts following the second world war; to Jun 2

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NBC/Super Channel:

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10.00 European Money Wheel Nonstop liva coverage until 15.00 of European business and the financial

17.30 Financial Times Business

CNBC:

markets

09.00 Souawk Box

10.00 European Money Wheel

Financial Times Business

Toniaht

Korea in a parlous state.

South Koreans might expect a

similarly swift end to the divi-

sion of their ancient country.

But should they also hope for

Most of the attention

devoted to Korea's divided

peninsula in recent years has

focused, rightly, on the threat

one hrutal war between the

economically failing, heavily

armed totalitarian state might

prefer to go down fighting.

rather than go quietly. But the

security threat must not be

viewed in isolation. North

argely explains its threaten-

ing behaviour. It also renders

its complete collapse conceiv-

able, a collapse that could, in

turn, destabilise South Korea.

Professor Paul Krugman of Stanford University has

argued that the success of east

Asian economies can be com-

pared to the erstwhile prog-

ress of the Soviet Union – an

example of government-

promoted capital accumula-

tion. The contrast between

North and South Korea

destroys this argument. True

to Soviet principles, the North

has kept its people poor and enslaved. Outward-looking

and capitalist, the South has

become prosperous and

Over the past 40 years, the fault-line running between

South Korea and the territory

of the communist god-kings

has become a chasm. Data on

North Korea are state secrets.

What there are suggest gross

domestic product per head, at market prices, might be

around 10 per cent, and trade

around 1 per cent, of South

Knrean levels. The negligible

increasingly free.

it? The answer, alas, is no.

Martin Wolf

Korea's German lesson

Successful reform of the North Korean regime would be better for political stability and economic growth in the South than its sudden and complete collapse

weat Germany, desplte the

persistent gap in productivity, that turned the initial collapse

in output into a long-term

disaster. Heiner Flassbeck and

Gustav Horn of the German

Institute for Economic

Research (DIW) in Berlin,

argue that five years after uni-fication, the problem remains

how to bring earned incomes into line with productivity.

With the share of wages in

east German national income

90 per cent, rather than the 70

per cent of west Germany,

self-sustaining growth is yet to be achieved. It may never ha

disaster? There are two alter-

natives to the west German

prevent the integration of the

labour markets, by controlling

movement of people between the two parts of the reunited

country. For a democracy, this

would be extraordinarily diffi-

cult. South Knrea is hardly

going to shoot people as they

would be to let the two labour

markets unify and wages

move toward market clearing

levels. The higgest problem is

what would happen in South

Korea. Unification would

lower incomes per head in

united Korea, vis a vis those

in South Korea, by up to a

third. But the market clearing

wage for unskilled labour in

the South could plummet by

The second posaibility

cross the former border.

outcome. The first would be to

Could Korea avoid the same

At the limits of Stalin's vast trade might be defended as a empire lay two divided countries. The one in the west, Gernatural consequence of the many, was the dismembered ance. Yet self-reliant North remains of Hitler's Third Korea is not. It is even unable Reich. The one in the east, to feed itself without substan-Korea, was the innocent victial foreign aid. Economic growth in South Korea has averaged about 9 tim of Stalin's declaration of war on Japan at the end of the second world war. Germany is now re-united. With North

per cent a year since 1962, multiplying GDP some 17 times. Poorer than Ghana a generation ago, it is now the world's 11th largest trading power and stands on the verge of becoming a high-income country, with GDP per head at US\$10,200 last year. As for the North, it languishes at about the level of Egypt.

It is the combination of this posed hy a nuclear-armed North. There has already been vast gap in standards of living - far higger than between the two Germanies - with the reltwo parts of divided Korea. An atively larger northern population that makes the mospect of sudden unification so daunting. West Germany has had to transfer about 5 per cent of its annual GDP to the east. If South Korea were to be Korea's economic failure confronted with a comparable collapse and make similar policy mistakes, it could finish up with a transfer hurden of 10-15 per cent of GDP. That would both a political impossibility and an economic disaster. Fortunately, South Korea has some advantages over west Germany in managing unification. Public spending can he increased more easily, because it is only

a little over 30 per cent of

Trade*

Source: IMF; WTO. National Unification Board, South Keren

The state of the s

helped shape its plans.

redefining Atlanticism.

Why the cost of Korean unification would be high

Ratio of North* to South Korea *95

Ratio of East to West Germany '89

CDP: it has full employment: and the money required to sustain north Koreans at their current standards of living would he modest, hecause they are so poor. Against this, South Korea has half the income per head of west Ger many, has had greater difficulty in maintaining monetary stability; and is still only a fledgling democracy.

What would happen if North Korea collapsed? To answer this question, one must focus on the differences between the reform of all former centrally planned economies and the merger of two parts of a divided country. There are three main differences, two economic and one political. • First, institutional reform and macroeconomic stabilisa-

capitalist economy. Second, the two labour markets will merge. • Third, politics will he shared.

tion can be secured by import-

ing both from the successful

government-funded The Korea Development Institute has, in typically thorough Korean fashion, tried to learn from the German experience. One result was a conference of German and Korean economists, from whose proceedings it becomes clear that the second - the integration of the two labour markets - creates the fundamental difficulty.* It was the speedy wage

Data for North Korea are approx

equalisation between east and over a half, the precise extent depending on the scale of the labour and capital mobility. Given the strength of South Korea's trade unions, resistance to this downward pressure would also be intense. It was in order to prevent anything like this from happening that German unions drove np wages in east Germany. thereby forcing taxpayers to bear the costs of unemployment. For the same reason, South Koreans might also have to pay higher taxes to subsidise North Koreans to stay where they are. The conclusion is simple enough.

Shock integration of the

huge economic pressures and

might well impose intolerable costs on the Sonth.

The only attractive alterna-

tive would he for the North to continue in existence, while engaging in radical reforms that offer the chance of income convergence in the long run. Unfortunately, there are at least two serious diffi culties with this scenario. The first is that the leaders of the North have shown no interes in it. This might not be just a reflection of their obstinacy North Korea has no raison d'être, shorn of its ideology.

The second difficulty is that for the North to catch up with Sonth Korea would as easy as for a hicycle to catch up with an express train. At an initial income ratio of, say. 10 per cent, it would take more than half a century to achieve 80 per cent of South Korea's income per head, even if the North managed to grow fastar by four percentage points a year. To achieve that, North Korea would have to become an astoundingly successful economy, from what is a dreadful starting position.

The Sonth is almost comoletely at the mercy of events But it must avoid falling into tha German trap, whatever happens. That means controlling movement hetween the two lahour markets, while encouraging capital flows to the North, until a substantial degree of convergence in output per head is achieved.

The most effective way to achieve this would be for the North to survive as a separate entity under Southern tute lage. Unfortunately for the South, it has no means to ensure this will happen, even if could admit that this is what it wants. The irony is that however badly the South may want to see the end of a regime it justly loathes. among the more damaging things the North can now do to the South is simply to turn over and die. Economic Consequences of

German Unification and its Policy Implication for Koreo, Korea Development Institute, Seoul, March 1996.

Alice Rawsthorn on how the risky signing of a pop star paid off

Older, wiser and much, much richer

Signing a star is always risky for a record label, but the odds were particularly high against deal under which Virgin Music and DreamWorks paid \$55m (£36m) for George Michael.

successful singers of the 1980s. first with Wham! and then as a solo artist. But be had not released an alhum for five years, an aeon in the fickle music market. He was also known as a brooding, brilliant perfectionist who refused to record for Sony, his old label, after losing a \$3.5m court case to sever his contract. Virgin and DreamWorks

bought him out of that contract for \$45m, and gave him a \$10m advance, gambling that he could be rehabilitated as a superstar. Their judgment was out to the test when Older his new alhum, went on sale two weeks ago. It has since hecome one of 1996's fastest-selling albums, going to number one in 13 countries with sales of 2.5m worldwide.

Older now seems set to sell a total of 10m copies, hut it might easily have flopped. George Michael had been virtually invisible since the release of his last alhum, Listen Without Prejudice, in 1990 and the \$40hn global music market bad since changed dramatically. Rap and grunge swamped the US charts, as did dance and Britpop in Europe, while the Chinese stars. Dadawa and Jacky Cheung, supplanted Anglo-Saxon acts in the expanding Asian market.

When Listen Without Prejudice came out George Michael was so anxious to shed his Wham! teen idol image that be refused to be photographed for the cover, or to appear in videos. It sold 7m copies, against 15m for its 1967 predecessor, Foith, and he sued Sony claiming that It had not supported his attempts to nurture a more mature image.

The court case was widely publicised in the UK where the tabloid press, having ridiculed

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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George Michael: happy with response to his latest album

the spectacle of a millionaire pop idol complaining about "not heing takeo seriously", recast him as a perennial British favourite, the principled underdog. But the case received little coverage in other countries and George Michael faded from view.

ldeally, record lahels like their stars to release new alhums at least every three years. George Michael not only left five-and-a-balf years between alhums, hut he refused to give media interviews, or to perform live to promote Older. Virgin and DreamWorks

wanted him to do the usual promotional schedule. But after his problems with Sony, George Michael insisted on having the final say over bustness matters. He also ignored their warnings that Older was too gloomy a title, and flouted conventional wisdom by releasing two singles, rather than one, before the album, the dreamy Like Jesus To A Child and unbeat Fast Love.

'We knew when we signed George that he'd have very strong ideas," says Ray Cooper, deputy managing director of

Virgin. "Some of his concepts aren't ones that we'd have come up with but they make sense once he explains them.
And they've worked."
Both Jesus and Past Lane

were number one in 16 com tries. However the marketing costs for singles are so high that the labels will barely break even on them and regard them as promotional vehicles for the alhum. Older received rave reviews

not least from New Musical Express, the feisty British weekly to which the eversensitive George Michael refused to send a review copy. NME bought its own and rated it nine out of 10.

If Older fulfils its promise of selling 10m copies, George Michael should make roughly £17m on his royalties of 20 per cent of the wholesale price minus his share of marked a costs. Virgin and DreamWorks will also make a profit, but only a modest one. This is partly because their marketing investment will be so high but mainly hecause labels rarely make money from superstars with 20 per cent royalties. They sign them for prestige, to bave more clout with retailers and to attract other acts.

DreamWorks signed George Michael for north America because it is a new label and David Geffen, its billionaire founder, needed a superstar to launch it. Analysts suspect that Virgin signed him for the rest of the world to attract bidders after it is demerged, together with the rest of EMI Music, from Thorn EMI, the UK leisure group, this summer.

Ironically one of the benefi-ciaries of Older will be Sony, which under last summer's deal should collect about £2.5m. from its 3 per cent royalty on George Michael's sales. However its former court opponen seems unperturbed. George Michael is said to be so happy with the response to Older that he is considering an autumn tour, possibly even giving free concerts to "thank" his fans.

Pfizer forum New Life for the Atlantic Relationship

Intellectual, business and political leaders from the U.S. and Europe bave launched the New Atlantic Initiative. The research director for the group argues that only a revitalised Atlantic Relationship can fulfil the hopes raised by the end of the Cold War.

Five years have now passed since the Soviet collapse provided the West with an historic opportunity to

mould the approaching millennium in its own political and economic image. But there are worrying signs that it is proving less able to deal with the consequences of its success in opposing Soviet communism than it was in dealing with the conditions of Cold War adversity. Instead of seizing the

opportunity to strengthen and promote market democracy, it has shown itself prone to introspection and self-absorption. Policy has been characterised by drift and expediency at a moment in history when there has been little

atanding in the way of a determined approach to adapt Western institutions to the needs of the post-communist era. Most telling has been the apparent

reluctance to perform a task which Margaret Thatcher described as "so obvious and achievable to count as an explicit duty laid down by History" - the speedy incorporation of the Central European democracies into the West's economic and political structures.

The inability of Western states to impose their authority upon the emerging pattern of international affairs has recently caused President Vaclav Havel to complain of "a mentality marked by caution, hesitation, delayed decision-making and a tendency to look for the most convenient solutions." Whatever its causes, the consequences are clear, market reforms in former commun countries are being slowed or reversed. A particularly foul and bitter war in former Yugoslavia was prolonged and exacerbated. In Russia, the communists won 45 per cent of the votes in the December elections to the Duma.

Against this background, an ad hoc group of scholars, writers, business leaders

and ex-public servants from a dozen countries has launched the New Atlantic Initiative. Its purpose is to stress the huge potential benefits - in economic as well as in political and security terms - of rebuilding an enlarged, secure and outward-looking Atlantic community in the light of recent changes. The distinguished past and

blessing to the enterprise by becoming

natrons include Margaret Thatcher, Leszek

Balcerowicz, Helmut Schmidt, Vaclav Havel,

Henry Kissinger, and George Shultz. An

equally distinguished advisory council has

Prague, anended by more than 300 political

and business leaders and intellectuals on

May 10-12, 1996 - concluded with a statement

of Atlantic principles: a robust and

unapologetic expression of belief in indi-

vidual liberty, the market economy and

democratic pluralism. The practical aim is

the creation of a new Atlantic movement

dedicated to the aim of halting and reversing

the political trends that have resulted in

Europe and America drawing apart, and of

from the debate and from the reports of

specialist policy committees presented to the

Congress - was a widespread conviction

among participants that a combination of

missed opportunities and the emergence of

daunting new problems has raised the stakes

Failure to adapt the institutions of

of Atlantic co-operation immeasurably.

What was apparent in Prague - both

Its first public event - the Congress of

Western co-operation - and where necessary to devise new ones - in order to deal with these would be likely to heighten political instability, diminish the West's capacity to respond to emerging military threats, while increasing the dangers of fragmentation to the world's trading system. In Central and Eastern Europe, as President Havel warned present statesmen who have given their in the opening address of the Congress,

"Time is working against the democrats." Conversely, the creation of a larger and secure

Atlantic Community entity. based on values and shared historical experience - in which the Central Europeans would be fully accommodated could ignite a hurst of Atlantic prosperity greater than any for half a century through the stimulation of trade and competition. This might he accomplished through a major US-European initiative to liberalise trade through the WTO, or if this were to fail,

through the creation of a Trans-Atlantic Free Trade Area. Such a project would lend new meaning to America's military commitment to Europe while beloing to stabilise the still economically and politically fragile new members. It would also provide a unifying purpose, enabling a new, confident Alliance of free nations to claim the new millennium as their own.

Gerald Frost is the Research Director of the New Attentic Initiative, c/o CNE, Roularta Media Building. Research Park Zellik, B-1731 Zellik, Beketum.

Price pand paint a si attenda della Selfoner in the afficient of transformer points. Accomming to providing the serious constitutions of th

CBI support for EU good for British business From Mr Niall FitzGerald.

Sir. Arguing the benefits to business of European Union membership does not make Sir Bryan Nicholson "a frustrated politician". as Sir Owen Green suggested (Letters, May 24). The benefits to British business of the EU, and the

single market in particular, are clear. The EU now accounts for 53 per cent of British trade. And by being a strong voice for liberal international trade in the General Agreement on Tariffs and Trade and the World Trade Organisation far stronger than Britain alone could ever be - it helps open up husiness opportunities beyond its borders.

It is not surprising therefore

that business support for membership of the Union is overwhelming. As president of the Confederation of British Industry, it was Sir Bryan's job to put that case as clearly and forcefully as necessary. That is not politics, it is good husiness.

Niall FitzGeraid. vice-chairman, Unilever. Unilever House. Blackfriars. London EC4P 4BQ, UK

From Sir Colin Morshall. Sir. Sir Owen Green argues that Sir Bryan Nicholson's speech to the Confederation of British Industry's annual dinner means the CBI is

straying away from a defence of business issues and into the realms of politics. Bryan's speech argued

strongly for British membership of the European Union and against those who would put that membership at risk. I can think of few issues where business opinion is clearer than EU membership. in our last survey, 90 per cent of businesses said they were against withdrawal. And they bold that opinion not for political reasons, but because of the benefits of the single market. Given that weight of opinion, it would be an odd representative organisation that did not argue the case.

implications of membership, especially the single market. and made constructive comments for improvements. Had he strayed on to, say, justice and home affairs, or foreign and security policy. Sir Owen would have a case. As he stuck to matters of direct and daily relevance to British businesses. I find it hard to see bow we can be accused of straying off our patch.

economic and business

Colin Marshall. president. Confederation of British Industry. Centre Point, 103 New Oxford Street, London WC1A 1DU, UK

Regulation good for BAA

From Mr Des Wilson. Sir, Lex is right ("BAA", May 22). BAA London airports are regulated and regulation is a serious husiness, but our regulatory regime has proved sound and stable. BAA and its customers are united in the priority they attach to the company being able to invest in a timely way to meet national aviation needs, while achieving some of the lowest landing fees in the world. The company is currently in the middle of its regular

five-year price review which is being conducted on all sides in an orderly, constructive way. The Monopolies and Merge ımission will report on our activities in the next two months and the Civil Aviation Authority will then make its proposals for the price control formula to apply until 2002. There will then be consultations with airlines before a final decision is made

in the autumn. As for the select committee report, the break-up of the south-east airports has been examined periodically since 1986 and always rejected.

Des Wilson, director corporate and public affairs. BAA, 130 Wilton Road, London SW1V ILQ, UK

Bryan focused on the Advantages of issuing indexed bonds

From Mr P.M.W. Tucker. Sir, in welcoming the US Treasury's plan to introduce indexed bonds, you suggest that saving debt service costs will depend on whether or not the market is too pessimistic about future inflation 'Questioning bond markets", May 18/19). It is true that an issuer of indexed bonds will save money if inflation turns ont ex post to be lower than the market expected. But this is only one possible source of

lower financing costs. Another is that the issuer does not have

to pay any inflation risk premium priced into the cooveutional bond market on account of inevitable uncertainty about the future course of inflation. That ex onte saving of the risk premium does not depend on the issuer taking any particular view about the path of inflation or whether the outlook for nominal bonds is hullish or bearish. Another, separate advantage

of indexed bonds is that they contribute to a reduction in uncertainty about the real cost

of borrowing, and so can be regarded as reducing risk for the issuer. These issues and others were discussed at the Bank of England's conference last year on the indexed-linked gilt market. Copies of the background papers are available from the Bank and the proceedings will be published soon.

Paul Tucker. bead of gilt-edged and money markets division, Bank of England London EC2R SAH, UK

Repercussions of China energy demand energy efficiency. This is in

From Matthew Taylor MP. Sir, In her article "China expected to spur world's energy demand" (May 20). Deborah Hargreaves rightly noints out the "hig implications for world fuel resources" of a dramatic rise in energy demand in China and Asia as a whole What she fails to highlight is

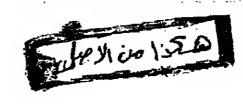
the serious repercussions this will have for the global environment, with the dramatic increase in the release of greenhouse gases and hence global warming. It is imperative that this recognition gives further impetus to efforts in the US and Europe to reduce energy

line with their commitments to reduce CO, emissions made at the Earth Summit in Rio de Janeiro, 1992. According to recent projections by the Association for the Conservation of Energy, the EU is currently failing to meet its targets for the reduction of CO₂ emissions by the year 2000 while presiding over a dramatic slowdown in the rate of energy efficiency improvements.

It is currently the case that a mere 20 per cent of the world's population - the developed nations - use 80 per cent of the world's resources. We cannot, and should oot, deny nations of the South an opportunity

further to develop but we must face up to the potentially catastrophic environmental consequences if we in the developed North do not curb our excessive use of resources While they increase theirs. This is entirely consistent with the maintenance and improvement of existing services and standards of life government scientists have estimated that 50 per cent of the energy used in the UK could be saved with existing technology alone.

Matthew Taytor, Liberal Democrat environment spokesperson, London SW1A OAA, UK



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COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Tiche-Tuesday May 28 1996

A timely jolt for Mr Major

Mr John Major might have tealised by now the dangers in appeasing the Eurosceptic right of his party. Three Conservative MPs

whips that there is a point beyond which they will withdraw their support for the government.

There is also a welcome new have already resigned from the parliamentary party in protest at the prime minister's willingness to court favours among rightwing colleagues be once described as "bastards". Now, another MP belonging to the One Nation centre has indicated that Mr Major's absurd beef war against the UK's European partners could prompt him to follow suit - a move which would rob the government of its slim parliamentary majority. There are other signs that the

pro-European centre is mobilising its support in the ideological battie for the soul of the Conservative Sarty. Several middle ranking ministers privately voiced alarm yesterday that Mr Major's policy of non-co-operation in Brussels is leading the government into a confrontation it cannot win.

Sucb ministers have been rightly dismayed by the prime minister's approach. It was their support which ensured his victory in last summer's leadership contest against Mr John Redwood. It is often forgotten that while the right tends to dominate the Tory backbenches, the centre-left holds a far larger share of ministerial posts. But since the leadership contest, Mr Major has seemed more concerned to reward his opponents than to back the judgment of his supporters. Taking a cue from Mr Kenneth Clarke, the chancellor, these ministers should now make it clear to the party

willingness on the centre-left to raise its voice in the public dabate. So far the Eurosceptics have proved themselves bettar financed, better organised and considerably more ruthless in the pursuit of their objectives. Their influence bas been further enbanced by the xenopholic reflexes of sections of the press. Now, several centrist organisa-

tions including the Tory Reform Group, the One Nation, and the Macleod Group plan to co-ordinate their efforts to influence European policy and the general election mainfesto. The claim of the new umbrella grouping, Conservative Mainstream, to the allegiance of over 200 Tory MPs may prove over-optimistic. But anything that gives a stronger voice to pro-Euro-pean Toryism is to be welcomed. Mr Major may have naively

hoped that he could unite his party under the union flag. Helped by the floundering performace of Mr Tony Blair, the Labour leader, he did secure a few favourable headlines. But for the Euroscep tics the dispute over beef is simply an excuse to imprison Mr Major and to precipitate a deeper crisis in relations with the rest of Europe. The latest developments should provide a timely jolt for the prime minister. He must direct his efforts now to securing an accommodation with his EU partners - before the patience of mod-

WTO at sea

Last week's effective US withdrawal from World Trade Organisation talks on freeing maritime transport is regrettable, though hardly a surprise. The talks had long been paralysed by inertia in Washington. At least the US has finally made clear where it stands. But its pull-out raises wider questions about how global liberalisation can best be pursued.

This is the third important WTO less than a year. In July, an interim agreement between other WTO members narrowly averted the collapse of financial services talks, after the US refused to guarantee access to its market. Last month, the US balked at a deal on telecommunications.

T DUSINESS

bonds

ay demand

WTO members may yet assemhle a makeshift maritime transport deal, which the US could join later. Once the OS presidential election is over, progress may also become easier on financial services and telecommunications. But the record to date hardly encourages optimism. The three WTO negotiations are the first to try to liberalise one sector at a time. It had been hoped that the approach might supplant full-scale trade rounds. In practice, it seems to have made deals harder, hy

restricting room for compromise. The US has blamed the outcome of the financial services and telecommunications talks on inadequate liberalisation offers by other, particularly developing, Sountries. But it is remarkable

that the latters' offers were as good as they were, given the nature of the bargain. Few companies in poorer countries want to expand internationally in these industries. Consequently, offers of improved access to industrialised country markets provided little inducement to open their doors to much stronger foreign competi-

An even higger flaw of singlemake it harder for the US to resist recalcitrant vested interests. That was true in financial services and telecommunications. It has been truer still in maritime services, where US negotiators have been held hostage by a small but ener-getic union lobby, out to protect obsolete working practices.

In comprehensive trade rounds. such problems can be overcome by trade-offs between sectors which encourage countries to make "concessions" in some areas in return for "gains" in others For that reason, governments do not need to satisfy a single producer lobby, but can aim to strike a balance between a wide range of interests.

Less than three years after the end of the Uruguay Round, few WTO members relish the idea of launching another such exercise. Yet the disappointing results of negotiations over the past year make the arguments for doing so increasingly compelling, if the

Peace path's deep divide

The Arab-Israeli peacemaking process is at stake as Israel goes to the polls, say Julian Ozanne and David Gardner

f Israel was any other coun-try the government would be all but certain of victory in tomorrow's elections. Sinca taking office four

years ago the Labour-led govern-ment of prime minister Shimon Peres has pushed hard to reach for peace with Israel's Arab neighbours in an attempt to end half a century of conflict in the Middle East. The evolving peace process has started to break down Israel's diplomatic and economic isolation, not only within the region but in Asla and Africa as well.

This in turn has generated trade

and investment flows, which have underpinned an economic perfor-mance with which any western gov-ernment would gladly face its electorate. Although the government is still wrestling with donble-digit inflatioo, growth bas averaged 7 per cent a year since 1992, unemploy ment has been cut from 11 per cent in 1992 to 6.3 per cent last year and Israel has begun to emerge as a strong rival to California's Silicon

Valley in high-technology products. But Israel is not any other country. With the Arab-Israeli peace process at a critical balfway mark, Israel is split down the middle about the risks and rewards of con tinuing the peaca effort, and remains obsessed with its very survival. Peace, security and the threat of terrorism from Islamic fundameotaliats bave emerged as the dominant issues of the election campaign among almost all voters save Israel's business leaders.

A powerful coalition of industrial ists, accounting for almost twothirds of the country's national output, has unequivocally endorsed Mr Peres and his Labour party, sensing that Israeli companies will always be at a disadvantage in interna-tional markets unless Israel wins legitimacy through a comprehensive peace settlement. In this analy-sis, a policy of "Fortress Israel" would he a disaster for the country's advancing integration into the

global economy.
So evenly divided is Israel between the hopeful "peace camp" and the fearful "national camp" that with less than 24 hours to go to the opening of polling stations it is still impossible to predict the outcome of elections that could determine the prospects for Arab-Israeli co-existence into the next century. Polls published yesterday showed Mr Peres leading Mr Benjamin Netanyahu, his rival from the rightas 2.4 percentage points in the two-

man race for the premiership. For the first time Israelis will directly elect their prime minister casting two ballot papers - one for parliament and the other for the premiership. The new electoral system has forced both prime ministerial candidates to attempt to moderate their policies almost to the point of blandness, making this campaign Israel'a dullest

On the stump both men have tried to steal each others' clothes -Mr Peres stressing security with peace and Mr Netanyahu stressing peace with security. Yet as all Israelis know only too well the choice is between two very different visions of the future and two very different future governments.
A victory for 73-year-old Mr Peres

is not a guarantee the peace process will succeed but it is a guarantee that negotiations will continue In the three years since the September 1993 "Oslo" Israeli-Palestinian accords, Israel bas, with great difficulty, completed the easier part of the peace negotiations. It has given the Palestinians self-government in Arab populated areas of the West Bank and Gaza and allowed the emergence of a nascent, democratically elected Palestinian government under PLO leader Yassir Arafat. It has also signed a final peace treaty with Jordan.

But the Labour-led coalition has left the most contentious issues to be decided over the next four years. A comprehensive Arab-Israeli peace embracing Syria and Lebanon will require the withdrawal of Israel from the occupied Golan Heights, a prospect which excites dangerous emotions among Israelis. A final settlement with the Pales

tinians will mean Israel granting Palestinian statebood; defining its own borders for the first time; evacuating at least some Jewish settlements on Arah land; and dealing with demands for the return of hundreds of thousands of Palestinian refugees. Most importantly, even though both Mr Peres and Mr Netanyahu categorically rule oot

handing back occupied Arab east Jerusalem to the Palestinians, no settlement will be possible without a compromise over the holy city.

There will be every opportunity for these negotiations to collapse, and conflict to restart, even with an Israeli partner committed to trying for peace. Mr Netanyahu has promised to renew construction of Jewish settlements on Palestinian land and pour Israeli troops back into the West Bank, tightening the security noose around Palestinian pockets of autonomy. He has also equivocated on wbether he is even willing to deal with Mr Arafat and his elected government.

Although Mr Arafat has prudently refused to take a public stand on the electoral outcome, many of his senior officials say privately that a Likud victory would be a disaster which would lead to a new Palestinian uprising.

On the Syrian front, Mr Netany ahu has ruled out territorial concessions on the Golan Heights. He does

regime would have trouble surviving the surrender of a square inch of Syria's sovereign territory. The Likud leader says the prob-

lem is that Labour under a weak leader has unrealistically raised Arab expectations. Under his strong leadership, by contrast, they will quickly moderate their demands. The fact that Mr Netanyahu can

still appeal to voters as a man more capable of winning peace than Mr Peres is a sign that many Israelis share this delusion about the Arab world. Polls show that a consistent majority of Israelis, around 60-65 per cent, support making peace. A substantial number of voters must therefore believe Mr Netanyahu when he suggests that peace and security can he imposed rather than neeptiated by equal partners.

Despite both candidates' attempt to move into the political centre during the campaign to win the floating vote, most Israelis know the two candidates present a clear difference about the future course of Middle East peace. But whoever

wins will have to negotiate complex coalitions. Polls suggest both the rightwing Likud bloc and the Labour party will lose aeats to smaller parties based on religious. ethnic or single issues.

ethnic or single issues.

The current government is made up of Labour and the leftwing Meretz party but has had to rely on Arab parties and two rightwing mavericks to ensure a parliamentary majority of at least 61 in the 120-member Knesset (parliament). Latest polls suggest Mr Peres may have to take into his coalition small have to take into his coalition small parties, including one which is cam-paigning to keep the Golan Heights under Israeli control.

If Mr Netanyahu wins he will find it easier to form a coalition with the religious parties but will find it hard to resist being pushed further to the right, not only by them, but also by ultra-nationalists in his own bloc. Men like Ariel Sharon, the Likud defence minister behind the 1982 invasion of Lebanon, and for-mer army chief Rafael Eitan will demand a rapid return to expansion of Jewish settlements in Palestinian territories, the one issue which

he almost equal division hetween Mr Netanyahn's national ist camp and Mr Peres and the "peace camp" is also a division between pessimism and fear on the one side and optimism and hope on

Around half the country remains deeply suspicious about all Arabs, fearful of attack, and terrified by the spectre of further iterrorism.

In the only campaign dehate between the two candidates for prime minister on Sunday night Mr Netanyahu hammered away at these fears. He painted a picture of Israelis afraid to get up in the mornisraens arrain to get up in the morning, catch huses or go to the shop ping mall, or indeed linger in any public place because of the threat of bombs. "The security policy of Mr Peres has hrought Israel to the brink of destruction," he said. "The whole country lives in fear."

Mr Peres and his supporters

believe with equal force the country has a unique historic opportunity.
Tomorrow Israeli voters will decide whether to give Mr Peres four more years to complete his optimistic vision of the future or back Mr Netanyahu's pessimistic return to the past.

There is a single question that will determine the outcome of the afraid of chosts?." wrote Mr Ze'ev Chafets, a columnist on the Jerusalem Report magazine. "This is not a political debate between liberals and conservatives. It is an epistemological dispute between rationalists and irrationalists."

"For the rationalist this is a time of great opportunity . . . For the irrationalist, on the other hand, this is the moment of maximum danger." Internationally, the elections could also decide whether Israel at last opens itself to world markets

and international investment. Professor Giora Goldberg, a political scientist at Tel Aviv's Bar-Ilan university, summarises the challenge: "For the first time we Israelis are voting on a peace experiment taking place on the ground. We have a clear choice: to go forward and try to finish the job, with all its risks, or go back to the experience we had under [the last Likud government of Mr Yitzhak] Shamir, of stagnation, the intifuda [Palestinian uprising] and tension between us and the rest of the world."

Ulster votes

An air of unreality hovers over the election being held in Northern Ireland this Thursday. The 110-seat "forum" to be

elected will wield neither executive nor legislative power. Nor will It draft or adopt the terms of a political settlement. That will be the task of negotiators drawn from its ranks, hnt selected by political parties, in separate talks dne to start on June 10. Only parties which win seats in

the forum may take part in the talks. But that does not mean all parties which win seats can do so; still less that all actually will do so. The British and Irish governments bava made it clear that Sinn Fein can only take part in the talks if and when the IRA restores its ceasefire on the same terms as in August 1994, which so far it shows no sign of doing. If Sinn Fein does take part the Rev Ian Paisley's Democratic Unionist Party will almost certainly refuse to do so. David Trimble's Ulster Unionists may well follow suit.

Sinn Fein and the Social Democratic and Labour Party - the two main nationalist parties - are both taking part in the election under protest, mainly in order not to be excluded from the talks. Sinn Fein, indeed, seems to be preparing to demand admission to the talks on the strength of its electoral mandate even without a formal IRA ceasefire. But its claim to be distinct from the IRA cannot be taken seriously unless it unequivocally calls for the ceasefire to be state its ceasefire.

renewed and condemns any further recourse to violence.

Among various possible outcomes, one absurd but not unimaginable one is that the nationalists, having qualified for the talks, will boycott the forum, while the unionists will sit in the forum but boycott the talks. The fiercest contest will be

within the unionist camp. The alection was called largely to soothe unionist feelings when John Major accepted the Mitchell commission's proposal to drop his insistence on decommissioning of IRA weapons before all-party talks could begin. Yet thanks in part to the quirks of the chosen voting system, the ironic coosequence could be to push the Ulster Union ists into second place, behind the SDLP, or even third place behind Mr Paisley, which would make the peace process even more difficult.

The artificial nature of the electoral system, bowever, is less important than whether the exercise opens the door to serious negotiations on the future of the province. And that will depend in large part on whether Sinn Fein/ IRA really wants to re-enter con-

stitutional pobtics. The continuing wrangle between London and Dublin over decommissioning should nut obscure the fact that this is the best opportunity republicans will have to influence a new political settlement in Northern Ireland. The IRA must seize it and rein-

Mr Tortilla takes flight

■ Bill Franke, the man who piloted America West out of its recessionary nosedive, is determined to persist with his policy of not hiring experienced airline executives.

The former paper industry man, who regards pre-deregulation types as stamped with the mark of Cain. last week taxied out Richard Goodmanson and presented him to approving shareholders as his intended successor as the airline's president and chief executive. How quickly the switch becomes official is a matter of guesswork. Goodmanson's hands-on

transportation industry experience is limited mainly to trucking tortilla chips around the US, in his former role as operations chief at Frito-Lay. But that is no impediment in the eyes of Franke, who has in three

years replaced most of his top

management with non-airline

outsiders. The delay is because the unfortunate chap is an Australian and thus lacks the American citizenship federal rulemakers consider vital for airline bigwigs. Though with 11 years' residence, the 48-year-old should take the conversion in his stride, no the road from Dallas to AW's bome in

With that behind him, he will

cast off his temporary title of executive vice-president and chief operating officer, and Franke will move up a peg or two and continue to rule the roost as chairman of both the airline and its newly-formed bolding company.

· OBSERVER

Hitching a lift

Observer recently had a chance to chat to Jacques Calvet, the wily head of Peugeot-Citroen. He was being extremely diplomatic about South Korea, a touch unusual as he's normally a fiery defender of Europe's interests in the face of Asia's motor tigers, whom he argues have flourished behind protectionist harriers.

Yet on this occasion Calvet was uncharacteristically muted when it came to the Koreans. Could that have been because Peugeot was negotiating to sell diesel engines to Hyundai Motor, Korea's biggest carmaker? Popping

Peugeot diesels into Hyundai saloons would give the French company some leverage over the latter's costs: the French-made. engines will have to be shipped half way round the world to Hyundai's Korean plant, only to find their way back to Europe

Europe is the world's biggest market for diesel-powered passenger cars, and France by far the higgest diesel market within it. Hyundai needs the engines to entice more Europeans behind its

wheels. But it cannot justify building a new production line, as no self-respecting Korean driver would be seen dead in a diesel. Cunning Calvet

Dastardly deeds Appropriately enough perhaps, two competing reports on country competitiveness are released this

An extraordinary coincidence, say both sets of authors - the Geneva-based World Economic Forum and the International Institute for Management Development in Lausanne, collaborators until last year on the World Competitiveness Report.

Suspicious fingers will probably point to Stephane Garelli, the energetic and loquacious author of tha IMD's World Competitiveness Yearbook. He got his publication out first, yesterday, three days ahead of the WEF's Global Competitiveness Report - but only hy dint of putting his stuff on the Internet. The WEF smilly notes that it will have advance printed copies for unconnected backs. Obviously they did this to surprise us," says WEF's Barbara

WEF, best known for its annual Davos business forum, is not above a few low punches of its own. Erskine says the previous joint report, prepared by the IMD team. was 'not on a par with the level of the competitiveness debate". WEF

subsequently turned to the ubiquitous Jeffrey Sachs and his team at Harvard University to advise on a revamped product.
"The country rankings are not the same", says Erskine. Well, it wouldn't be competition if they were.

Double trouble

■ The Free Democrats, the pro-business party founded by George Vassiliou, the former president of Cyprus, as a vehicle for his political comeback, won just two seats in Sunday's parliamentary election – one for Vassiliou, and one for his energetic wife Androulla, a former legal adviser to Cyprus Popular Bank, an HSBC affiliate. While her husband was trying

(unsuccessfully) to stitch the island's Greek and Turkish bits back together in the early 1990s, Mrs Vassilion ran a think tank on women's issues. She was swept in by voters in Nicosia, the capital; her busband, who lost the 1993 presidential election by only a few hundred votes, had a tougher time winning a seat in his home town of

Personal service From California, home of the politically correct. What do you call a ladies' man? A person

Financial Times

100 years ago The Rio Grande River

A company is now being formed for the purpose of acquiring the rights to dam the Rio Grande river and ntilise the water for irrigating portions of Southern New Mexico and Texas. The prospectus states that many of the landowners are willing to give up half their land in order to secure the brigation of the other half, which will have the effect of raising its value some £40 an acre. The landowners who desire to retain all their land will be supplied with perpenual water rights at £10 an acre.

50 years ago U.S. Credit for France

Paris:- A last-minute hitch over what commodities France may buy with ber U.S. credit is one of two factors which have caused delay in the signing of the loan agreement, it was reported here last night. The other delaying factor is the time needed to draft a detailed contract between the French Government and the Export-Import Bank. General agreement is understood to have been reached on a \$650,000,000 credit from the Export-Import Bank and a \$400,000,000 credit for purchase by France of surplus U.S. war stock

FAX MACHINES

Policy aims to make exports more competitive

Taipei lets currency slide in effort to revive growth

By Laura Tyson in Taipel

Taiwan's currency plunged through a six-year support level yesterday signalling a new willingness by the government to use foreign exchange policy to make exports more competitive.

The New Taiwan dollar closed

at T\$27.641 to the US dollar against Saturday's T\$27.486 finish, well below the six-year bar-rier of T\$27.50, which Taiwan's Central Bank of China had previ-

ously defended. Slowing GDP growth and slnggish exports over the last six months, combined with low inflation rates, appear to have convinced policymakers that stimulating the economy by boosting exports was worth the risk of

pushing up prices. Also, now that Mr Lee Teng-hui, the country's first democratically elected leader, has been sworn into office, capping nearly

enough to allow the currency to find its own footing.

The central bank, which has

gradually been easing foreign exchange controls, hinted nbliquely at such a move on March 23 when it announced quarter percentage point cuts in two key interest rates. It suggested the currency's value should be determined by market

forces. The interest rate cuts, which triggered a round of rate reductions at major banks, have combined with the recent strength of the US dollar to put increasing downward pressure on the cur-

Financial analysts expect it to slide further in coming sessions, possibly heading as low as T\$28.00. Yesterday's turnover in Taipei was \$549.5m, more than double the usual amount.

Held back in part by political

government appears confident ualised 4.86 per cent in the fourth quarter of 1995 and 5.31 per cent in the first three months of this year, compared with 6.54 per cent in the full year 1994.

Exports rose 20 per cent in 1995, but were hard hit by tensions across the Taiwan strait early this year and posted just 9.3 per cent growth in the first quar-

The central bank, armed with the island's formidable foreign exchange reserves, had made clear since 1990 that it would vigorously defend the currency to ensure financial stability in the face of tension with China and during the island's transition to democracy.

This policy proved its effectiveness in the middle of last year and again in March of this year when the island suffered several waves of capital flight as relations with Beijing worsened and China launched military drills near the island.

Deutsche Telekom in \$536m deal for 49% Kazakh stake

By Sander Thoenes in Almaty and Michael Lindemann in London

The Kazakh government is to hand over 49 per cent of voting shares in Kazakhtelecom, the state telecommunications monopoly, to Deutsche Telekom in a DM825m (\$536m) deal to repay dehts and ensure investment in the telephone network of the central Asian state.

Under the deal, Deutsche Telekom will have management control for nine years, with an option on another six. The Kazakh government will keep 51 per cent of voting shares and employees will hold a 10 per cent non-voting stake, Mr Harry Sbtoik, deputy prime minister, said.

This allows for development of one of our most important sectors." Mr Shtoik said, adding that the Kazakh telecoms network required \$2.5bn in investment and was not expected to make a profit for a decade.

Deutsche Telekom has

to lift the number of telephones among Kazakhstan's 17m people, from 2.1m to 4.5m in 10 years. It will invest in the profitable international lines and subsidised local lines, Mr Sbtoik said.

Deutsche Telekom declined to comment on details of the deal, saying that "a proposal was

being discussed". The company will, however, need the approval of its non-executive supervisory board before an investment of this size.

a monetary crisis, with \$4.5bn in outstanding dehts stifling production. Foreign investors have taken on debts before but this is the first time a debt-for-equity swap has made up most of the purchase price.

costly compared with the prices paid for other privatised enter-prises in Kazakhstan. Dentsche Telekom will ensure payment of a DM460m debt to Kreditanstalt für Wiederaufban, the German

It will also pay a DM120m bonus, the only cash part of the deal, to the Kazakh government. Repayment of Kazakhtelecom's Deutsche Telekom DM75m and it has pledged to invest DM170m.

Kazakhtelecom has been struggling to find investors, partly because many of the more profitable telecommunications services

- such as computer networks and cellular phone projects have been sold off to seven joint ventures. Because of poor telephone connections, mobile tele-

phone companies have attracted 50,000 subscribers in recent years, according to Mr Kazyken The Kazakh government faces Bazylov, vice-president of Kazakhtelecom. Also, if Deutsche Telekom wants to raise tariffs it

will need approval from the country's anti-monopoly committee. Some analysts said Deutsche Telekom had heen lukewarm about the deal and had originally The deal is comparatively demanded an 80 per cent stake, but was under pressure from the German government to agree.

The venture in Kazakhstan is the latest in a number of acquisitions for the company, Europe's largest telecoms operator which is due partially to be privatised in November. Last week it bought a stake in a Malaysian telecoms operator and is finalising an investment in Thailand. It also involved in mobile phone but has balked at taking stakes in previously state-run monopolies in the former Soviet Union.

Kazakhs tighten tax, Page 3

Albanian recognise poll result

Alhania was plonged into political turnoil yesterday as the ruling rightwing Democratic party claimed victory in Sunday's election, while opposition parties called for protests against alleged electoral frand. The Socialist party, reconstructed from the Communist party of the former Stalinist dic-

not recognise the result. It added that it would not take part in the next parliament, threatening to leave Alhania without an effective opposition.

The Socialists, along with the smaller centrist Democratic Alliance, Social Democrats and several minor parties, said they would boycott the second round of voting. This is due next Sunday in constituencies where no candidate won an absolute majority in the first round.

Opposition party leaders said the election had taken place under widespread manipulation, intimidation and violence, and they called for fresh elections to be held "under fair and democratic conditions". The parties also called for protests today in Tirana, the capital.

Mr Neritan Ceka, chairman of the Democratic Alliance, demanded that elections should he supervised by the US, and attacked European states for pro-viding "an alibi" for the ruling

Democratic party.
International election observers were still returning to Tirana yesterday to piece together the events of Sunday's voting, but some reported significant irregularities.

One representative from the European parliament said be saw a woman "filling in ballot papers, as if she was on a production line in a factory".

Hampered by primitive communications from the many iso-lated mountain villages, official results are not expected until

But Democratic party officials claimed yesterday that the party had won between 60 and 65 per cent of the vote.

The Democratic party has ruled Albania since 1992 when it won a landslide victory to end nearly 50 years of one of the most repressive communist regimes in Europe. President Sali Berisha yesterday rejected opposition claims of maipractice and accused the "fanatics of the Red Front" of staging "a chain of provocations".

Mr Berisba said the second round of voting would go ahead as planned and the opposition would receive the seats indicated by the results of the election. In enphoric address he said: "Between democracy and communism. Albanians chose democracy. Between the east and the west, they chose the west."

opposition refuses to

By Kevin Done and Merianne Sullivan in Tirana

tator Enver Hoxha, said it would

European takeovers

Takeover rules across Europe leave much to be desired. Examples of managements being able to block hostile takeovers and of unfair treatment of minority shareholders by hidders crop up regularly. Nevertheless, such deficiencies do not mean Europe needs harmonised takeover rules as the European Commission is now proposing. Takeover rules should surely be a classic application of the "subsidiarity" principle, which calls for issues to be left to national governments unless there is a clear case for a con-

certed European Union approach. .. To be fair, the Commission's current proposals are looser than the detailed plans it originally drew up more than

THE LEX COLUMN

Currencies' eerie calm

interestingly, it has been rather a dull year for currency trading so far. The current lack of volatility, like that in the second half of 1994, is unusual. The 5 per cent range between the dollar's high and low against the yen and the 7.5 per cent range against the

D-mark - are abnormally low. The reason appears to be political. The US. German and Japanese governnents are more or less happy with foreign exchange rates around their current level. Indeed, just about everyone who matters is happy to see a slightly stronger dollar. And so long as most of the world's developed economies are struggling to speed up economic growth, this state of affairs is likely to last. The Japanese and German authorities are content to see their currencies weaken because the last thing they want is their export competitiveness eroded. And the French, for example, like a strong dollar, because it helps support the French franc against the D-Mark.

But the status quo is unlikely to survive once these economies revive. The Bundeshank, for instance, is likely to rediscover its obsession with controlling inflation: that means higher interest rates and most prohably a stronger currency. The likely impact on the foreign exchange market was illustrated by the recent upward hlip in the yen on rumours that the Japanese authorities would soon he raising interest rates. Those rumours were soon discounted - the Japanese economy may have turned the corner but is hardly roaring ahead - but clearly it is only a question of time before the cycle turns. Against the D-Mark, the dollar may be supported by worries about European monetary union but it will find it hard to buck a strong rebound in

10 years ago. It is now merely putting

Currency volatility Trading range over each half year (%)

forward principles which national governments would have to flesh out into precise rules. Moreover, the principles themselves - covering such things as equal treatment of all shareholders are eminently sensible. Still, not only is there little justification for imposing the principles from on high; doing so

could have unpleasant side-effects. The risks are most obvious in the UK, whose non-statutory Takeover Panel currently works fairly well. Bringing it into a statutory framework, however loose, could make it easier for participants in a bid battle to challenge the Panel's decisions in court. Since such a process could be long-winded, the whole hid could lapse. Indeed, participants might challenge the Panel with precisely that aim in mind. Rather than trying to enshrine its principles in law, the Commission should present them as best practice which national governments would be well advised to adopt.

UK property

The problem with the UK property sector is that while the supply of property shares is limitless, as demon-strated by last week's rights issues, demand for them is not. Property companies are rarely short of deals, just the funding for them. So as soon as share price discounts to net asset value vanish, rights issues follow. This was a feature of 1937 and 1993. although cash was also needed to rebuild balance sheets. Now 1996 looks set to produce enough paper to drown renewed interest in the sector.

Of course, funding the right investment programmes can be profitable. Burford's management, for example, has spent well - and despite facing three rights issues since 1993, the shares have outperformed the market by over 200 per cent. But they are a minority. And there are problems afoot. Rental growth remains elusive

property. Land Securities last week revealed patches of growth, such as supermarkets and retail warehousing. But average valuations remain subdued. And while demand for top quality office and retail space in and around London has strengthened, there are signs supply is following suit. Fallowing the collapse of the property market in the early 1990s, speculative development hacame a term of abuse. But as rents for quality space edge upwards, the speculative

developers are starting to return. With planning consents for new development at an all-time high, banks awash with cash, and companies able to get rights issues away, conditions are ripe for an acceleration in development. If so, the return of rental growth is likely to prove

UK utilities If the phony war over Sonthern

Water turns into a bid battle, it will be a nonsense. Undervalued water companies are not in short supply. So if Southern Electric proves a determined rival - as it may given the threat to its own business a Scottish Power bid would represent - the Scottish company can and should look elsewhere. Still, whether it lands Southern Water, Scottish Power is right to be fishing for a water company. For a start, water stocks are under-priced. Contrast, for instance, Southern Water's capacity to sustain dividend growth well ahead of the market average with the 40 per cent yield pre-mium at which the shares trade. Just as importantly, its halance sheet is absurdly strong, even by the standards of the water sector. There is plentiful scope for gearing it up. But Scottish Power is not just bar-

gain-spotting. It is playing a canny strategic game as well. While the English generators have become stuck in a regulatory morass, Scottish Power has already added a regional electric-Ity company, Manweb, to its strong Scottish franchise. Adding a water company in a different area might mean fewer potential cost savings but Scottish Power would get large numbers of new customers, to whom it could try in sell gas and electricity as well as water.

This game is all about positioning for the opening of Britain's domestic gas and electricity markets to competition in 1998. If Scottish Power could pull off a sensibly-priced water deal -Southern Water or not - it will have quietly ended up better-placed than any to benefit.

New chip promises 'electronics revolution'

Continued from Page 1

conductor chips wired together on a printed circuit board. But when information passes from one chip to another it is slowed down and generates heat and electrical "noise" or interference. Putting 125m transistors on a single chip means using fewer chips, making them faster and

Europe today

Much of eastern Europe will be very wet. A

frontal zone, marking the boundary between warm air to the east and cooler air to the

states. There will be heavy rain along this

west, will stretch from Poland into the Balkan

zone and thunder storms are possible. Turkey

and southern Greece will remain sunny and dry. Western Europe will see temporary

improvement as a ridge of high pressure moves through. The Low Countries and

France will have sunny periods and will

changeable with sunny periods and light showers. The British Isles will have rain.

Five-day forecast

remain dry. Germany and the Alps will have ers. Southern Scandinavia will be

The Mediterranean will be rather settled with aummer-like temperatures in Italy and Spain. A strong westerly flow will move several

types of electronic device on one chip will provide more flexibility and faster development times.

For consumers, it will mean lighter and more powerful digital telephones and portable computers with significantly longer battery lives. Similarly, there are some tasks such as image recog-

HIGH

FT.WEATHER GUIDE

Constant improvement of our service. That's our commitment.

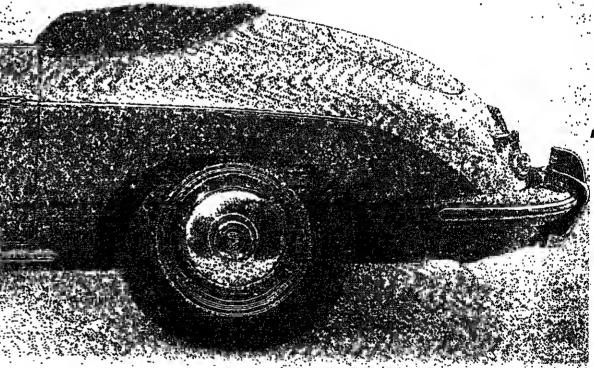
Lufthansa

quieter while reducing power nition which require vast consumption. Mixing different amounts of computing power. Normally these systems are only found in expensive manufactur-

ing robotics systems. But with the advent of 125m transistors on a single chip picture phones like the Dick Tracy wrist computer, or computers that recognise speech could become consumer items.

LOW

Lease Plan. A unique open approach to vehicle leasing.



lease Plan provides a unique vehicle leasing and fleet

Like many of our competitors we only charge precisely what we quote. But unlike other vehicle leasing companies, we refund any savings we make

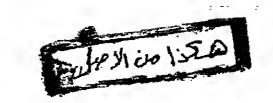
We believe it's only fair that if the basis of the original calculations change, such as maintenance, depreciation, or residual value, we either absorb any loss, or we refund

last year alone, our customers benefited by more than \$3 million. And you'll know precisely what your fleet costs because all our calculations are visible and open to

To find out more, about how Lease Plan can help you find your way around the vehicle leasing jungle, simply telephone or complete the information request below.

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Trie Sumarie		<i>i</i>
Address		Lease Plan I
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frontal systems and low pressure areas across the British Isles, the North Sea, Denmark and into south-western Scandinavia. Central Europe will see a slight improvement with a warming trend. 40 TODAY'S TEMPERATURES sum tair sum shower shower rain fair shower cloudy lair sum fair sum fair sum fair sum fair sum fair sum fair 29 10 25 23 15 25 24 15 19 29 27 25 7 18 22 14 15 17 5 24 12 Majorca, Maita Manche Manche Manche Mescow Murrich Nashobi Nas shower shower sum cloudy fair shower fair shower thund rain fair fair Vancouver Vancouver Vence Vienna Wersew Washington Weitington Winnipeg Zurich



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